Russia and G7
Arguing over an economic model
Samuel Brittan, Page 14

Telecom trials
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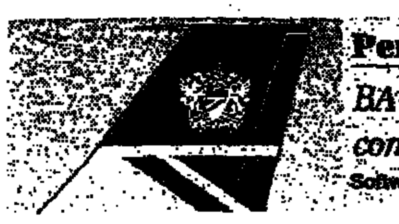

Personal touch
BA streamlines its complaints process
Schwarz at work, Page 8

Adding value
How effective is advertising?

FINANCIAL TIMES

Europe's Business Newspaper — THURSDAY FEBRUARY 24 1994 — D8523A

European allies' federal policies split British Tories

The European People's party, the grouping which includes the British Conservative party, will call tomorrow for a federal European Union with a single currency and an independent central bank – a policy which has deeply divided the Conservatives.

A French translation of the manifesto obtained by the FT says that economic and monetary union is "*indispensable*" to stability and prosperity, and that the Union is "incomplete" without the social chapter of the Maastricht treaty. Page 16

EU tries to resolve Greece crisis: Hans van den Broek, EU foreign affairs commissioner, will today attempt to break the impasse in the dispute between Greece and Macedonia which has triggered a political crisis in the European Union. Page 16

Utilities could sue over reactor

French industry minister Gérard Longuet (left) acknowledged that the government could be sued for up to FFr18bn ($3bn) by French, Italian and German utilities as a result of its decision to use their Superphénix fast breeder reactor for research into destroying plutonium waste rather than for producing electricity. Page 16

France maps out military strategy: The French government pledged itself to an ambitious defence policy, working in greater co-operation with its European and Nato allies, in a white paper designed to map out military strategy into the next century. Page 2; Editorial Comment, Page 15

British Aerospace reported a sharply reduced £237m pre-tax loss for 1993, reflecting lower exceptional costs together with a return to profits at the operating level. Page 17; Lex, Page 16

£2.4m pay-off for four Lonrho directors: Payments totalling more than £2.4m ($3.5m) are being paid to four Lonrho directors aged between 64 and 77 who are leaving the international trading group. Page 17

Hanson to raise $232m: Anglo-American conglomerate Hanson is to receive $232m from the flotation of Beazer Homes USA, which was priced yesterday, and the sale of property in Hawaii. Page 23

Car industry must face Japan: European Union industry commissioner Martin Bangemann warned the European car industry that Brussels would not protect it indefinitely from Japanese competition and signalled that the commitment to open the EU market by the end of 1999 must stand. Page 2

Singapore 'at a turning point': Singapore finance minister Richard Hu said the country's newly industrialised economy was "at a turning point" as he unveiled a 1994 budget with modest tax relief and rebates for the country's 2.8m people. Page 4

NatWest profits sharply up: A 30 per cent fall in provisions for bad and doubtful debts to £1.26bn, compared with £1.79bn, allowed National Westminster Bank of the UK to raise pre-tax profits last year to £989m from £367m in 1992 despite a reduction in income from lending. Page 17

Moves to cut China's growth ruled out: Immediate measures to calm the Chinese economy, which grew by 13 per cent last year and which shows little sign of slowing, were ruled out by Zhu Rongji, China's senior vice-premier in charge of the economy. Page 4

Anger at N Korea nuclear inspection delay: The International Atomic Energy Agency said it was "dismayed" by North Korea's delay in implementing a programme of inspections of its nuclear facilities which was agreed a week ago. Page 4

Irish Permanent Building Society, largest building society in the Republic of Ireland, is to seek a flotation on the London and Dublin stock exchanges. Page 25

Eleven die as South African dam bursts: At least 11 people were killed and 85 were missing after a torrent of mud and water poured into Virginia, South Africa, when the wall of a dam which held mine refuse collapsed.

STOCK MARKET INDICES

FT-SE 100:	3341.9	(+8.2)
Yield	3.53	
FT-SE Eurotrack 100	1489.10	(+12.81)
FT-SE-A All-Share	1682.98	(+0.2%)
Nikkei	19,341.83	(-0.80)
New York lunchtime:		
Dow Jones Ind Ave	3895.34	(-16.32)
S&P Composite	470.60	(-0.86)

US LUNCHTIME RATES

Federal Funds:	3¼%
3-mo Treas Bills: Yld	3.426%
Long Bond	95 5/32
Yield	6.621%

LONDON MONEY

3-mo Interbank	5 7/16%	(same)
Liffe long gilt future:	Mar 114 15/32	(Mar 114 7/32)

NORTH SEA OIL (Argus)

Brent 15-day (Apr)	$13.405	(13.16)

Gold

New York Comex (Apr)	$378.9	(379.2)
London	$378.45	(378.8)

STERLING

New York lunchtime:		
$	1.478	
London:		
$	1.4766	(1.4785)
DM	2.5513	(2.5531)
FFr	8.6689	(8.6763)
SFr	2.1452	(2.1438)
Y	155.813	(155.94)
£ Index	80.6	(80.7)

DOLLAR

New York lunchtime:		
DM	1.72765	
FFr	5.86875	
SFr	1.45195	
Y	105.55	
London:		
DM	1.7279	(1.7268)
FFr	5.871	(5.8685)
SFr	1.4528	(1.45)
Y	105.525	(105.475)
$ Index	68.5	(same)

Tokyo close Y 104.85

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft165	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lv25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.80	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Finland	FM14	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00
France	FFr9.00	Kuwait	Fils625	Poland	Zl 32,000	Tunisia	Din1.500
Germany	DM3.50	Lebanon	US$1.50	Portugal	Es225	Turkey	L13000
						UAE	Dh12.00

France steps up battle with the English language

By David Buchan in Paris

The Balladur government yesterday stepped up its counter-offensive to the incursions of English by announcing that it is considering a law to make use of French compulsory in advertising, announcements and conferences, on radio and television and in work contracts.

The government has not yet decided what penalties to impose for using a foreign word where a French equivalent exists, that but the possibility of fines, even prison sentences, has apparently not been ruled out.

The language bill was considered in cabinet yesterday and will be put to parliament later this year. If anything, MPs appear even tougher than the government about the dilution of French culture. Last Decemeber, they passed into law a requirement that, by January 1996, all French radio stations must ensure that at least 40 per cent of the songs they broadcast are in French. That followed the successful and domestically popular attempt to prevent quotas for French films being negotiated away under the General Agreement on Tariffs and Trade.

But recently the legislators themselves became a target when the secretary of the Academie Française, guardian of the purity of the French language, complained to the president of the National Assembly that MPs were using slipshod and improper French in their debates.

The language bill does not identify English explicitly as the culprit, but Mr Jacques Toubon, the culture minister, told Le Monde newspaper yesterday: "Anglo-Saxon countries, far from contenting themselves by passively benefiting from the situation of English. . . are deploying considerable efforts. . . to conquer new territory for their language."

Mr Toubon has already publicly bridled at the decision by Eurotunnel, the Anglo-French company, to dub its subterranean train "Le Shuttle" rather "La Navette".

Claiming that the language bill would not be "constraining", Mr Toubon said the government would that France would soon have proposals for its European partners on promoting "European multi-lingualism".

But, in spite of the efforts of the Academie Francaise to dream up French equivalents to expressions such as *le corner* kick in football, such franglais may prove hard to stamp out. French business executives find *le cash flow* easier to use than *la marge brute d'autofinancement*. Perhaps fining franglais users will help the government with its own cash-flow problem: its deficit.

President faces dilemma over whether to accept vote for release of coup leaders

Russian MPs pardon Yeltsin's enemies

By Leyla Boulton in Moscow

President Boris Yeltsin was moving towards a possibly decisive confrontation with the new Russian parliament after it voted yesterday to pardon his hardline enemies from two failed coups.

The binding resolution adopted by parliament ordered the immediate release from prison of Mr Alexander Rutskoi, the former vice-president who launched last October's armed uprising, and dozens of others, including those who launched the 1991 coup attempt against then President Mikhail Gorbachev.

Mr Vyacheslav Kostikov, the president's press secretary described parliament's decision as "ruinous politicking". It had "failed to draw lessons from the bitter experience" of last October when parliament was blasted by Mr Yeltsin's tanks.

The parliamentary decision – by 253 voters to 67 – came on the eve of a state-of-the-nation speech Mr Yeltsin is due to make to parliament today. If he goes ahead with the speech, it will end weeks of presidential silence after last December's election triumph of communists and ultranationalists and the announcement by Mr Victor Chernomyrdin, prime minister, of "corrections" to Mr Yeltsin's bold market reforms.

One presidential aide urged Mr Yeltsin not to make the speech. But officials said two of the president's advisers were last night working on last minute changes to the draft in reaction to parliament's moves.

The resolution drafted by Mr Victor Illyukhin, a Communist who once tried to sue Mr Gorbachev for allegedly causing the break-up of the Soviet Union, was described by its supporters as a step to national reconciliation.

It confronts Mr Yeltsin with a dramatic choice. Either he defies an order he has no constitutional right to veto, because it is a resolution and not a law, or he can try compromise with parliament, risking the possibility of being forced to resign or to call early elections. Last night, a presidential spokesman suggested Mr Yeltsin would ignore the order.

Mr Sergei Yushenkov, an organiser of Russia's Choice, the anti-Communist alliance of loyal presidential supporters whom Mr Yeltsin failed to support in the December parliamentary elections, said the resolution was "a declaration of civil war".

Mr Yegor Gaidar, the parliamentary leader of Russia's Choice, said Mr Yeltsin "has no right to veto this extremely dangerous decision" and said he was "*absolutely convinced that this is a step towards destabilisation in Russia*".

Scenting blood, Mr Gennady Ziuganov, the Communist leader who says he wants to turn his party into a social democratic organisation, advised Mr Yeltsin to resign. "As a compromise, I propose that Yeltsin resign, that reformers resign, and that our opponents surrender on our conditions," he said.

The resolution provides an amnesty for all the participants, whether convicted or not, of the October 1993 uprising and the August 1991 coup, as well as attacks on police by Communists and nationalists last May Day.

Samuel Brittan, Page 14

Reuter

Russian ultra nationalist leader Vladimir Zhirinovsky (centre) and Liberal Democratic party members celebrate after the parliament voted to pardon the enemies of President Yeltsin

CAN EUROPE COMPETE?
Two-week FT series starts today
Pages 10-11

Poll shows split over access to EU trade

By David Marsh, European Editor

European business leaders favour reducing barriers to imports from east Asia and eastern Europe and cutting government intervention to boost the continent's long-term economic prospects, according to an opinion poll for the Financial Times published today.

The survey of senior directors from 507 top European companies in seven countries underlines the sluggish recovery from recession as well as disappointment with the 1993 single market. Some 77 per cent of respondents said they had registered no benefits from last year's measures to lower Europe's internal trade barriers.

The poll, carried out by Harris Research for the FT and five other European newspapers, highlights wide divergences of opinion. While 55 per cent of respondents favour easier access for imports from regions such as east Asia and eastern Europe, 26 per cent in France and

Continued on Page 16

Crédit Lyonnais to stem loss with sale of $3.3bn assets

By John Ridding in Paris

Crédit Lyonnais, the French state-controlled banking group, plans to sell more than FFr20bn ($3.34bn) of assets over the next two years as part of a plan to repair its balance sheet.

The group confirmed it would dispose of a significant part of its investment portfolio, although no exact target has been mentioned. "The amount and the timing will depend on market conditions," a bank official said.

The move is an important part of the lossmaking bank's restructuring plan. It is also expected to include a state-backed capital increase of between FFr3bn and FFr4bn and the transfer of non-performing property assets to a newly created shell company.

Industry analysts described as positive the decision to sell assets. They estimate that the bank suffered losses of up to FFr4bn in 1993, which could push its capital ratio below the Bank for International Settlements' limit of 8 per cent.

"It is a good move," said Mrs Jennifer Oliver Martin, banking analyst at Morgan Stanley. "It should strengthen the balance sheet by reducing assets and achieving some capital gains."

Crédit Lyonnais declined to specify which assets could be sold. But industry observers said the first move would probably be a reduction in the bank's relatively liquid shareholdings in listed companies. Among these are stakes in Bouygues, the construction group, Bolloré, the engineering and shipping company, and Navigation Mixte, the diversified holding company in which Crédit Lyonnais holds 14 per cent.

The bank also holds stakes in several state-owned companies, including Usinor-Sacilor, the steel group and Aérospatiale, the aerospace group. The total value of the bank's holdings is put at about FFr55bn.

Crédit Lyonnais declined to comment on other aspects of its restructuring plan. Negotiations with the government on a capital increase and creation of a shell company for property loans are, however, thought to be near completion. Industry observers expect an announcement before the end of March when last year's results are due.

The need for restructuring is the result of heavy losses and provisions following the aggressive expansion pursued by Mr Jean Yves Habérer, Crédit Lyonnais chairman, until last autumn, the downturn in the French property market and the group's exposure to recession-hit small and medium-sized companies.

Mr Jean Peyrelevade, the group's new chairman, is seeking to return the group to profit to prepare it for privatisation. Crédit Lyonnais is one of the 21 public sector groups selected for sale by the government of Mr Edouard Balladur.

Croats and Bosnians agree to ceasefire

By Judy Dempsey in London and Laura Silber in Belgrade

Bosnian and Croat military leaders last night agreed to a United Nations-brokered ceasefire in a move which could end the fighting in central Bosnia.

Mr Yasushi Akashi, the UN envoy, announced the agreement after a day of talks in the Croatian capital of Zagreb between Mr Rasim Delic, the Bosnian government commander, and Mr Ante Roso, the Bosnian Croat commander.

The agreement, forged under increasing pressure from the US, could pave the way for lifting the Croat siege of Mostar, in western Hercegovina, officials said.

It coincides with Washington, the UN, the EU and Russia engaging in a three-pronged strategy aimed at creating a new peace plan for Bosnia-Hercegovina, diplomats said yesterday.

The strategy involves diplomats concentrating on securing ceasefires in certain regions, allowing the access of humanitarian aid convoys, and eventual demilitarisation.

However, diplomats said success involved a commitment by western governments to send many more peacekeepers.

Yesterday, Mr Vitaly Churkin, the Russian deputy foreign minister, and Mr Charle Redmon, the US special envoy, held talks in

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مكذا من الاصل

Pensions reform plan unveiled

By John Ridding in Paris

A plan to create a French system of private capitalised pension funds, which draws from the British and German systems, was unveiled by Mr Jacques Barrot, chairman of the National Assembly's finance committee, yesterday.

The plan proposes that new pension funds should be managed independently but be allowed to invest part of their capital in contributing companies. Mr Barrot's proposals will form a basis for negotiations in the government's plan to reform its creaking pension system.

Mr Edmond Alphandéry, economy minister, has said he plans to introduce a bill on pension reform in the spring. The government is seeking to ease pressure on the existing "pay as you go" state system, which has a deficit of almost FFr20bn ($3.34bn) as a result of France's ageing population and rising unemployment.

By creating a system of powerful private pension funds, the French government hopes to promote the development of France's financial markets. In the UK and the US, pension funds are some of the largest investors on the stock market.

Mr Barrot recommends pension funds should invest at least 30 per cent of employer contributions into the company which employs them.

He said funds should also pay out pensions solely in life annuities rather than in capital and they should invest at least half of their assets in shares.

According to Mr Barrot, this system strikes a balance between the UK system, in which pension funds are run independently, and the German system, where companies make provisions for pensions in their balance sheets.

Under the proposals, contributions to pension funds should receive tax exemptions. Industry analysts estimated this could entail costs of FFr15bn-FFr20bn to establish a system of capitalised pension funds.

White paper aims to preserve public consensus on defence and quash any notion of a 'peace dividend'

France maps out military strategy into next century

By David Buchan in Paris

The French government pledged itself to an ambitious defence policy, working in greater co-operation with its European and Nato allies, in a white paper designed to map out French military strategy into the next century.

The dual purpose of the long-awaited white paper, according to a senior defence official, was to preserve the French public consensus on defence in the uncertainties of the post cold war world, and to "torpedo the idea that France can reap a peace divided".

It is designed to lay the ground for a framework law later this year on military spending in the 1995-2000 period.

In their foreword to the white paper, Mr François Léotard, the defence minister, and Mr Edouard Balladur, the prime minister, said France should "set an example to Europe" which, while preserving its Nato link to the US, "could not leave its defence to others".

But both men were earlier drawn into a clash with their fellow conservative Mr Jacques Chirac, the Gaullist mayor of Paris who at a meeting on Tuesday criticised the government for buckling under to Socialist President François Mitterrand's insistence that the white paper implicitly endorse his April 1992 freeze on French nuclear weapon tests in the south Pacific.

The argument has injected further tension into the rivalry between Mr Chirac and Mr Balladur for the gaullist nomination in next year's presidential election.

The white paper merely endorses the compromise between the Balladur government and Mr Mitterrand for a new programme of simulated nuclear tests.

France, which alone among the principal western countries has actually increased its spending on military equipment slightly this year, "must maintain its effort, says the white paper.

In addition to keeping the country's nuclear deterrent, the white paper calls for improvements in French conventional forces in areas like intelligence-gathering, logisitics and air transport.

The white paper stresses that Germany and Britain are France's key partners in a stronger common European defence, as set out in the Maastricht treaty, as well as in more industrial co-operation in arms manufacture.

As for French forces, it says that France should be able to transport up to 130,000 men and their equipment to overseas trouble spots, keep a navy of 100 ships and an air force of 20 squadrons of aircraft.

François Leotard: France setting an example

Paris makes European security ambitions clear

Long-awaited policy goes against the trend among allies towards retrenchment, writes **David Buchan**

The French government's defence white paper published yesterday is designed to set military policy for 15-20 years. That is perhaps why its 159 pages make no explicit mention of the Bosnian crisis, which Paris obviously hopes will be over long before then.

French ambitions to play a leading, even *the* leading, part in future European security arrangements shine through right from the start. In the foreword, Mr François Léotard, defence minister, says "France must set an example, not in a 19th century-style concert of powers, but in 'Europe'", while Mr Edouard Balladur, prime minister, asks his countrymen to make "the necessary efforts by which France will play a major role in building a common European defence".

After working wordily through all the uncertainties and risks in post-cold war Europe, the paper concludes that "France will maintain its effort" well into the next century. That is a radical conclusion, at a time when virtually all its allies are sharply paring their military spending.

Yet France has gone 22 years without a defence white paper. So why one now? One reason has to do with domestic politics – Mr Balladur's desire to encroach on President François Mitterrand's constitutional prerogative on defence, and in the words of one white paper committee member "to gather the strategic community around the prime minister" in preparation for Mr Balladur, or another Gaullist like Mr Jacques Chirac, winning next year's presidential election.

Mr Mitterrand's role in the paper's preparation has been largely passive. It had to have his approval, but he confined himself mainly to resisting conservative attempts to undermine his moratorium on French nuclear weapon tests, and to make France's nuclear deterrent more "useable" by calling for design of smaller, cleaner weapons.

The other motive is to preserve the famous French consensus on defence in the post-cold war world. The 1972 white paper defined French security in a geographically narrow and nationalist way, to be defended by French forces operating semi-detached from Nato or any other allies. As such, it won remarkable public support.

The dangers are now different and more diffuse, but, the paper argues, no less real to France in that they affect the whole European Union into which France is increasingly embedded.

It marks Germany and Britain out as key partners. France wants to see Germany throw off its constitutional and political inhibitions to playing a wider military role in Europe, while with Britain "the level of our co-operation must be significantly raised" because the two countries "possess relatively important capacity for external action" and "the will to use it". But the paper also points to the military and defence potential of Italy, Spain, and Sweden.

Far from expressing any animus against Washington or Nato, the paper acknowledges the US as today's "only military giant" and the alliance as "the principal organisation of defence". France will not go back on its 1966 withdrawal from Nato's integrated command, but the paper puts on the record that French defence ministers and chiefs of staff will attend Nato meetings on a case-by-case basis, particularly when peacekeeping operations are involved.

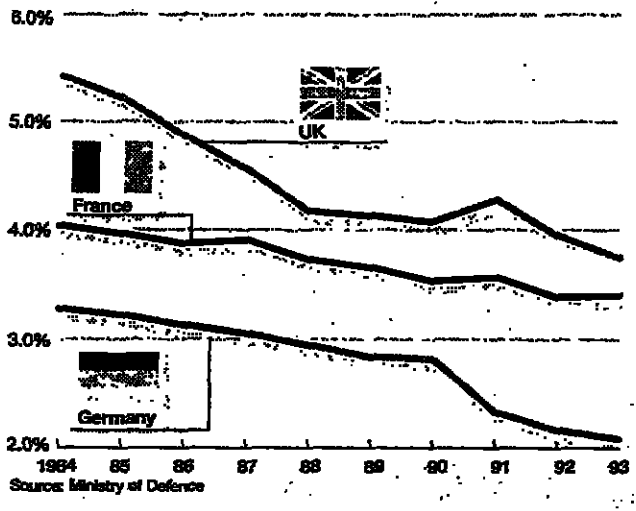
The goals which the white paper sets for the Balladur government's forthcoming framework law for military spending over the 1995-2000 period are:

- Maintaining the nuclear deterrent and filling gaps in conventional forces such as intelligence-gathering, logistics and air transport.
- The ability to transport some 120,000-130,000 troops and equipment overseas, let its 113-ship navy fall to no fewer than 100, and keep 20 squadrons in its air force.
- Continue to build its own nuclear weapons and maintain an autonomous capability in such technologies as electronic warfare, stealth weaponry and intelligence. But apart from this, "there is no area in which France cannot share with other European countries".

This clearly means more arms co-operation with EU partners. The paper foreshadows a joint arms agency with Germany which Paris wants to set up at this summer's Franco-German summit, and again it contains a note of the frustrated suitor with Britain "whose research and industrial potential is most comparable to ours".

Editorial Comment, Page 15

Defence spending as a proportion of GDP



Source: Ministry of Defence

Employers back talks on works councils

By David Gardner in Brussels

The European employers confederation, UNICE, looks set to recommend to its members that they negotiate EU-wide works council agreements with trade unions to avoid the threat of a directive on workers' consultation being imposed by Brussels.

The move, which has to be confirmed by a UNICE meeting on March 9, follows talks in Brussels yesterday between the European employers and the European Trade Union Confederation.

One ETUC official described the UNICE move as a U-turn, impelled by a change of tactics by the European Commission earlier this month.

The original Commission proposal for mandatory works councils in pan-European companies has been blocked by UK opposition for three years. But after the entry into force in November of the Maastricht Treaty, from which Britain has an opt-out on social policy, the way was open for the UK's partners to go ahead on their own.

On February 8, Mr Padraig Flynn, social affairs commisioner, persuaded the Commission to approve a revamped plan, intended to be more palatable to employers. Instead of a blueprint for mandatory consultation with workers representatives, the new draft directive seeks voluntary agreements, with unions and employers deciding their own arrangements. There are already 30 such agreements in force across Europe.

But if the two sides failed to agree, a reduced set of minimum requirements for consultation would be imposed if workers demanded them. This was dismissed as unacceptable by UNICE. But they and ETUC were given until March 22 to decide whether they could agree on a framework for voluntary agreements which would obviate the need for the new directive.

"That is obviously now a possibility," a UNICE spokeswoman said. Although no formal decision has been taken, the European employers are understood already to have opted for this course.

According to ETUC, this would accelerate the setting up of works councils in the 1,500 or so trans-European enterprises identified in the original directive. There would be less pressure for their introduction in the UK than if there were a directive. But the ETUC is confident that UK companies on the continent will be part of the scheme, and still anticipates a spillover which will gradually involve companies in the UK itself.

Car industry must face Japanese challenge

By Gillian Tett in Brussels

Mr Martin Bangemann, EU industry commissioner, yesterday warned the European car industry that Brussels would not protect it indefinitely from Japanese competition.

He said there would be no change to the EU-Japan agreement on market access, signalling that the commitment to open the EU market by the end of 1999 must stand.

But he held out the prospect of a substantial aid package to help restructuring and hinted that he expected to see further mergers along the lines of the Rover-BMW deal.

Unveiling a Commission strategy paper on the future of the European car industry, Mr Bangemann said: "We are not advocating mergers, (but) we do believe that not all the European car industry have the necessary size to compete in the world market."

He urged European car makers to target emerging markets in the Far East and Latin America for both sales and production. The commission is pushing for better market access for EU car exports in Japan, US, South Korea, East Europe and Turkey.

The agreement struck between Japan and the EU in July 1991 envisages the progressive opening of European markets to Japanese imports by 2000, allowing Japanese exporters to increase market share when the European market is growing.

The Commission report calls for measures to tackle the structural weakness in the European car industry including:

- Allocating EU funds for retraining workers, with up to Ecu4bn of EU funds potentially available.
- Developing joint programmes of research and development, with Ecu1.3bn of funds likely to be earmarked between 1994 and 1998.
- New measures to smooth the operation of the internal market, such as streamlining the distribution system and harmonising vehicle taxes.
- Introducing a range of environmental standards, aimed at promoting cleaner and more efficient cars.

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NEWS IN BRIEF

Generals quit in row over appointment

The resignation of seven Ukrainian generals, reported yesterday, is raising questions about the country's security as the army – the second largest in Europe – descends into financial disarray and personnel squabbles, writes Jill Barshay in Kiev. The generals resigned in protest at lack of consultation by President Leonid Kravchuk when he appointed a new air force chief. In an effort to persuade Ukraine to rely not on nuclear weapons, but on conventional forces for its security, the west has been eager to bolster the Ukrainian army. But creating a swift battle-ready, defensive army out of the remnants of the old Soviet military machine has not been easy for the financially troubled two-year-old nation.

While former defence minister Mr Konstantin Morozov is widely praised for rapidly establishing a Ukrainian army on the heels of the Soviet Union's collapse, its leadership is politicised and divided. The ranks are poorly organised and there is little money to train soldiers properly. Last week in Ukraine's military newspaper, Narodna Armia, senior generals complained that the 650,000 troops had received less that 10 per cent of their pay. Defence minister Mr Vitaly Radetsky has written to Mr Kravchuk saying budget restrictions will hinder Ukraine's military programme. "Military units and their families appear to be on the survival level," General Ivan Shtopenko was quoted as saying, with senior officers earning only $45 a month.

Unpaid miners threaten strike

Russian coal miners, many of them unpaid for months, are to demonstrate outside government buildings, Reuter reports from Moscow. Mr Boris Kravchenko, a spokesman for the independent coal miners' union, said: "If these measures prove ineffective, then we'll stop all coal supplies. Then, if the government still refuses to negotiate and to pay its debt, we'll raise the question of declaring a general strike." Miners are owed more than $300m, he said.

Howl of rage over dog complaint

Madrid's conservative city council has reacted angrily to a survey suggesting its pavements are the most dog-fouled in Europe, although the same survey said Madrid's Atocha station was Europe's cleanest, writes Bronwen Maddox. The comparison of nine European capitals by the Tidy Britain Group, a London-based charity campaigning against litter, ranked London as the cleanest city and Athens the dirtiest. Amsterdam had the most graffiti, Rome the most fly-posting and Berlin the most vandalism. Paris's Boulevard Haussmann was ranked Europe's dirtiest shopping street. The councillor in charge of cleaning Madrid said the report was biased, that Berne was much cleaner than London and that Amsterdam was dirtier than Madrid.

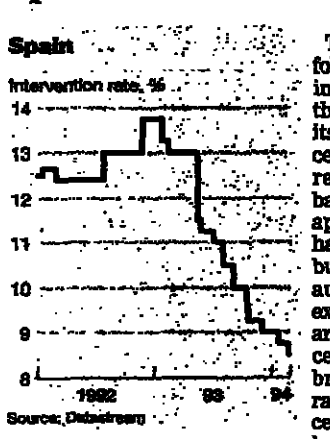
Brussels sets EU vote deadline

European Union member states must set up procedures to allow EU citizens to vote and stand in municipal elections in countries where they live and pay taxes by January 1, 1996, the European Commission said yesterday, writes Lionel Barber from Brussels. The move affects 5m EU citizens, among them 1.2m Italians and 840,000 Portuguese, who live in other EU states. Some EU countries may continue to ban foreigners from running for mayor or deputy mayor because the office may involve dealing with police and immigration matters. Half of the 12 EU countries already give conditional voting rights to non-nationals.

German labour burdens grow

Additional labour costs in German industry which have to be paid on top of basic wages, including employers' contributions to pensions, social security and health insurance, reached a record DM36,950 (£14,377) per worker last year, according to the Institute for the German Economy, writes Quentin Peel from Bonn. The new total, including holiday bonuses and other fringe benefits, amounts to an extra 84 per cent to be paid by employers in industry and construction on top of basic wages.

Spain cautious on interest rates



The Bank of Spain yesterday followed up a quarter-point cut in its daily intervention rate at the end of last week by lowering its benchmark rate from 8.75 per cent to 8.50 per cent at its 10 day repurchase tender for central bank certificates. The move disappointed some analysts who had hoped for a half-point cut but it reflected caution by the authorities after higher than expected price increases in January which put inflation at 5 per cent a year. The Bank of Spain brought down its benchmark rate from 9 per cent to 8.75 per cent on January 25 and the markets still expect the benchmark rate to be down to around 7 per cent by the end of the year.

■ Italy's industrial output fell 2.8 per cent last year against a 0.6 per cent fall in 1992. Output fell in the first three quarters, but rose 0.2 per cent in the final quarter.

■ Dutch consumer spending rose 0.4 per cent year-on-year in volume in the fourth quarter of 1993, and by 0.8 per cent over the whole year, against a rise of 2.1 per cent in 1992.

■ French household spending on manufactured goods was up 1.4 per in January this year over last year. In December, 1993, consumer spending was 3.9 per cent below December 1992.

Spain to clear way for EU entrants

By David White in Madrid

Westendorp: 'very few problems left'

The Spanish government, which has taken a strong line on terms for admitting Nordic countries and Austria to the European Union, said yesterday it was confident negotiations would be successfully completed by the March 1 deadline.

The optimistic assessment by Mr Carlos Westendorp, Spain's state secretary for the European Communities, coincided with a private meeting in Madrid between Mr Felipe Gonzalez, the prime minister, and Mr Jacques Delors, president of the European Commission.

Mr Westendorp said there were now "very few problems left". Argument over aid for under-populated areas of Finland, Norway and Sweden had been "satisfactorily resolved" by the EU's proposal on Tuesday to set up a separate regional fund, which would leave intact the current criteria for support given to the EU"s poorest regions.

Enlargement was the EU"s most important and urgent task, Mr Westendorp said.

He denied that Spain was insisting on budget contributions from the four countries being channelled into "cohesion funds" for the poorer states. It was prepared to see the estimated Ecu2bn ($2.2bn) a year in new contributions either spent on the full range of EU policies, including agriculture, or used to reduce the overall budget burden.

Spain was still trying to ensure that enlargement would not damage its chances of meeting the "convergence" criteria for economic and monetary union. But Mr Westendorp said it would be satisfied with a "political declaration" to this effect.

Still to be resolved was the question of Spanish fishing rights in Norwegian waters, closed off by Norway since 1981. Mr Westendorp indicated that Madrid"s request for rights to 14,000 tonnes a year was open to negotiation.

Also to be settled were arrangements for qualified majority voting in the enlarged community. Spain wants to ensure that alliances of three or more countries which can now block EU decisions can continue to do so.

Swiss put brave face on transit lorry ban

By Ian Rodger in Bern

The Swiss government is putting a brave face on the anger in neighbouring countries caused by Sunday's referendum vote to ban transit lorry traffic through the Alps from 2004.

Mr Bruno Spinner, head of Bern's optimistically titled European Integration Office, said in an interview that the complaints from Italy and Germany about Switzerland blocking trans-Alpine transit routes were not justified.

Switzerland was not trying to cut off the flow of transit traffic between northern and southern Europe, he said. On the contrary, it was investing several billion dollars to build new rail capacity to handle the ever increasing volume of traffic. "We are doing this for Europe, not for us, and no European Union money will be involved," Mr Spinner said.

While he regretted that last Sunday's vote would oblige the government to use force to move transit traffic from the road to the railways, he was confident that by the time the ban came into force virtually all lorry traffic would already have moved voluntarily because of the railway's cost and speed advantages.

He suggested that in the longer term the most important of Sunday's referendum votes would be the one that approved the government's plan to relate lorry road taxes to distance travelled. This would enable the government to push up the costs of using the road to the advantage of the railways.

"In substance, the Swiss have chosen a solution that is perfectly well centred in modern European environmental and transport policy. We may be a few steps ahead of some others, but that is understandable since we and Austria have the Alps in the middle of our countries."

Mr Spinner admitted that the vote would make relations with the EU more difficult in the immediate future. Switzerland has a long list of trade and other bilateral issues to be negotiated. It fears the Commission will now be less willing to advance talks, knowing that, as on the transit issue, any agreement can be overturned by referendum votes.

Under Switzerland's system of direct democracy, all important matters must be submitted to plebiscites and, in other cases, citizens can force the holding of a plebiscite by petition. Mr Spinner said philosophically that popular legitimation was a crucial element of policymaking in all democratic countries, although different countries achieved it in different ways.

"No legislation can stand over the long term without popular support, especially on emotional issues. Most EU governments understand that we cannot go in a direction against the will of our people."

Mr Spinner said the truck ban and the rejection by Swiss voters in December, 1992, of the treaty forming the European Economic Area underscored again the need for the country to join the EU.

Relations between Switzerland and its neighbouring countries, like those among all western European countries, were now so complex and intimate that it was increasingly impractical to resolve everyday problems by negotiating treaties. "What we are doing is a substitute for common legislation," he said. "Treaties require ratification procedures and can be undone while internal rules cannot."

The challenge, he acknowledged, remained to convince the Swiss people of the need to join the EU.

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NEWS: INTERNATIONAL

LegCo votes for Patten HK reforms

By Simon Holberton in Hong Kong

The first stage of governor Chris Patten's democratic reforms for Hong Kong have won more support than expected after a marathon series of debates in the colony's 60-strong Legislative Council (LegCo).

The support for the governor's legislation was in defiance of China's wishes. After last November's breakdown in Sino-British talks on the colony's political development, Beijing warned that it would dissolve LegCo on resumption of sovereignty in 1997 and hold fresh elections if LegCo voted on the Patten package.

Mr Tam Yiu-chung, of the pro-Beijing Democratic Alliance for the Betterment of Hong Kong, said the passage of the bill "signifies that Britain has gone down the road of no return." He said that trust between the UK and China had been "totally shattered".

The crucial vote was on a motion to defer consideration of the bill. This vote, which was expected to be close, gave Mr Patten a majority of 13 and improved on the majority of 11 he secured in November 1992 when LegCo first voted on his democratic proposals. It paves the way for the publication tomorrow of Mr Patten's second bill to broaden the democratic franchise in Hong Kong.

LegCo members approved Mr Patten's plan to lower the voting age in Hong Kong to 18, abolish appointments to local government, and institute popular voting in the three tiers of government in the colony. LegCo also removed the prohibition on Hong Kong delegates to People's Congresses in China standing for election in the colony.

The normally polite atmosphere which pervades LegCo gave way to some uncharacteristically robust parliamentary exchanges during the 10 hours of debate. Anti-British feeling ran high in conservative circles.

Mrs Elsie Tu, an independent who tried to get Mr Patten's bill deferred, said passage of the bill would only increase uncertainty about 1997. In 1997 the governor would be "basking in the glory" of having introduced limited democracy in Hong Kong but "we in Hong Kong do not know what is in store for us, we have to face 1997," she said.

Mr Martin Lee, leader of the United Democrats, said the passage of the bill was a test of Hong Kong's ability to secure its high degree of autonomy as promised by China in the 1984 Joint Declaration. "It is important to remember that Hong Kong's political arrangements and elections should not be decided by Beijing – even after 1997," he said.

Steps to slow China growth are ruled out

By Tony Walker in Beijing

Mr Zhu Rongji, China's senior vice-premier in charge of the economy, yesterday appeared to rule out immediate measures to calm the Chinese economy which grew by 13 per cent last year and which shows little sign of slowing.

Mr Zhu, who was speaking before leaving on a nine-day visit to Japan, voiced concern about the possibility of social unrest should the government crack down too hard on economic activity.

"China is aiming for fast, healthy and sustained economic growth and if the rate of growth was forced down artificially, it would cause social instability," he said.

The Chinese official, who found himself at loggerheads with powerful regional officials last year over a 16-point austerity programme, repeated an official growth forecast for this year of 9 per cent.

But western economists doubt China will be abe to bring its rate of real GNP growth down much below 10 per cent in 1994 without risking a "hard landing".

This is something Mr Zhu has said he wishes to avoid at all costs.

Mr Zhu predicted that China's rate of growth would be maintained at about 9 per cent for the next few years. He described prices in the first weeks of this year as "stable."

Inflation has emerged as the biggest challenge to the authorities. Retail prices (excluding services) rose by more than 15 per cent in December compared with a year earlier.

The cost of living for 35 major cities increased by 24 per cent in the 12 months to December, with the cost of services increasing sharply – by 38 per cent compared with the rate of 16.5 per cent for consumer goods.

Officials of the State Statistical Bureau were quoted yesterday as saying that "inflation... still posed a threat to the sustainable and healthy growth of the national economy."

Many state enterprises are close to bankruptcy, starved of funds and beyond producing marketable products.

Mr Zhu's lengthy visit to Japan indicates a warming of the business relationship. Japanese companies had been wary of investing in China, but sentiment appears to be changing.

Two-way trade reached \$37.8bn (£21bn), with Chinese exports to Japan totalling \$20.5bn and imports \$17.2bn.

Anger at N Korea nuclear visa delay

By Patrick Blum in Vienna and John Burton in Seoul

The Vienna-based International Atomic Energy Agency yesterday urged North Korea to issue entry visas to its inspectors as soon as possible. An IAEA spokesman said the agency was "dismayed" at the unexpected delay to a programme of inspections agreed a week ago between the agency and Pyongyang.

"The content of the mission is not in dispute any longer. The scope and objectives (of the inspections) have all been agreed. What is at issue is a date and visas," Mr David Kyd, an IAEA spokesman, said.

A team of IAEA inspectors was expected to begin inspections at seven North Korean sites on Tuesday, but they have not been given visas.

North Korea has said issuing of visas would depend on the outcome of bilateral discussions with the US, Mr Kyd added.

But the agency would not be formally referring the issue to the UN Security Council. The council can impose sanctions against North Korea if it continues to resist compliance with the 1989 nuclear non-proliferation treaty.

The IAEA's board would send its latest status report on North Korea to the UN.

North Korea announced last year it was withdrawing from the non-proliferation treaty, but later relented. In recent weeks, it has again threatened to pull out of the international safeguards system entirely.

US and North Korean officials are expected to meet today in New York to discuss new demands by Pyongyang concerning international inspections.

In a meeting with the US yesterday, North Korea demanded Washington make a written pledge on concessions, in return for Pyongyang allowing the IAEA inspection team into the country, according to South Korean news agency Yonhap.

The US promises would include suspending this year's US "Team Spirit" military exercise in South Korea and reopening high-level talks between Washington and Pyongyang on possible US diplomatic recognition and economic aid.

The US has already verbally agreed to carry out these measures if North Korea lets in the IAEA inspectors and resumes talks with South Korea on denuclearisation.

But disagreements still exist on the timing of the US steps and whether Washington is willing to make these commitments in writing.

Singapore at turning point, says finance minister

By Kieran Cooke in Singapore

Mr Richard Hu, Singapore's finance minister, yesterday unveiled a 1994 budget with modest tax relief and rebates for the country's 2.8m people together with a range of incentives designed to improve competitiveness.

"We are at a turning point," said Mr Hu. "We have become a newly industrialised economy... but Singaporeans must not be lulled into thinking we have arrived and start relaxing and taking progress and prosperity for granted."

While Mr Hu said income tax rates would not be reduced, the unexpectedly high 9.9 per cent economic growth figure for 1993 meant the government could grant an across-the-board one-off rebate of 5 per cent. Rebates on housing and rental charges were among a series of measures designed to offset the impact of a 3 per cent general sales tax, to be introduced on April 1.

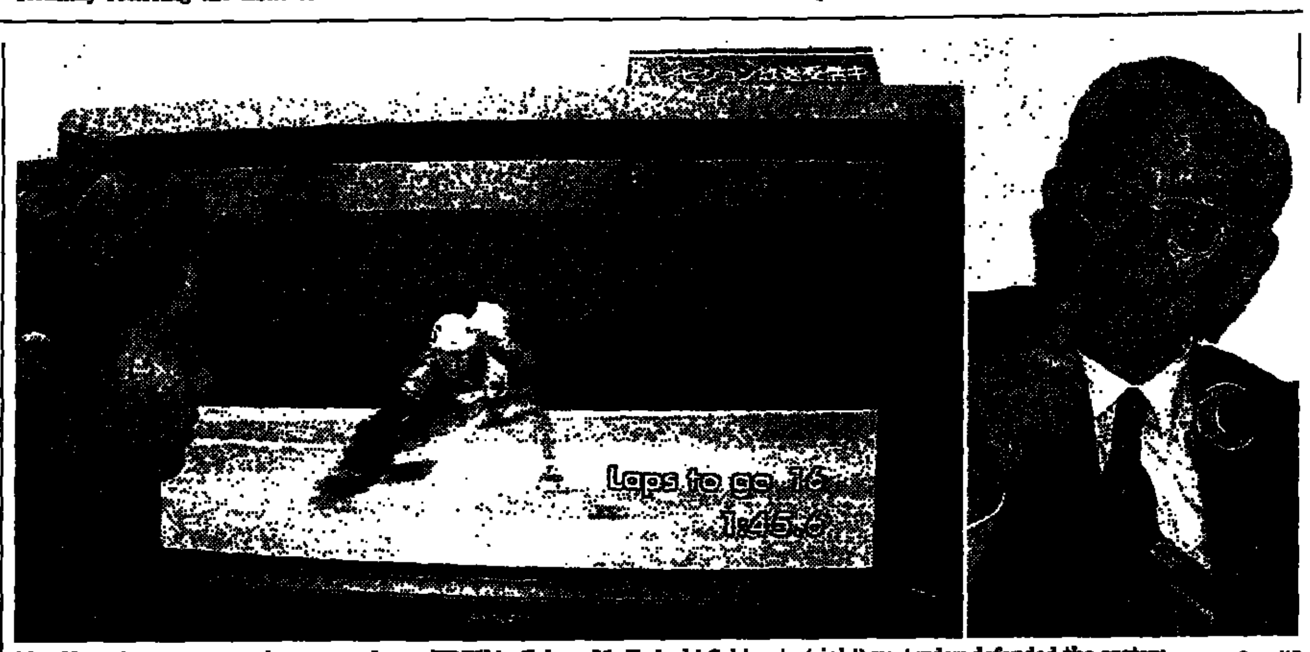
A 3 percentage point cut in corporation tax to 27 per cent was announced in last year's budget. "As the economy is expected to grow at a rate well above the target range of 4-6 per cent, there is no need to adjust our tax rate this year further to stimulate the economy."

However, property tax rates would be progressively cut, with a 1 percentage point reduction to 15 per cent this year, to reduce business costs and increase Singapore's competitiveness in attracting foreign investments. Tax incentives were also announced to encourage Singaporean business to invest overseas.

But business costs within Singapore are likely to rise, with a 1.5 percentage point increase to 20 per cent in employers' contributions to the central provident fund, the compulsory savings scheme.

Mr Hu said revenues were likely to exceed expenditure by S\$2.2bn (£948m) in 1994. But he emphasised the need to increase economic competitiveness and warned against any relaxation of the country's strict spending policies.

"Government expenditure will continue to focus on areas that support and promote economic growth for Singapore," he added. "We must avoid the pitfalls of welfarism which, as the experience of socialist and western democratic governments has shown, sooner or later leads to dependency and destruction of the work ethic."



The Olympics are screened on an analogue HDTV in Tokyo. Mr Tadashi Sekimoto (right) yesterday defended the system Reuter/AP

Japanese makers defend HDTV

By Michiyo Nakamoto in Tokyo

Japan's main electronics manufacturers yesterday strongly criticised the telecommunications ministry's surprise decision to review the country's high definition television programme, saying they would continue to promote the analogue HDTV system at present in use.

Mr Tadashi Sekimoto, chairman of the Electronics Industry Association of Japan and president of NEC, said yesterday it was his firm belief that the Japanese HDTV system, developed by the public broadcaster NHK and known as Hi-Vision, would continue.

Hi-Vision was one of the few technologies Japan had developed on its own and one which it could be proud of. "If there is a better system, maybe we should use that system, but there is no such system at present. Hi-Vision is the only existing high definition TV system anywhere in the world," he declared.

Mr Sekimoto's remarks came in the wake of statements by a ministry official supporting digital TV over Japan's currently-used analogue Hi-Vision.

Mr Akimasa Egawa, director general of the ministry's broadcasting administration bureau, proposed that Japan promote a digital HDTV system in order not to step out of line with the international trend towards digital television. His remarks shocked the industry which has been selling Hi-Vision sets, and has poured as much as Y1,000bn (£6.32bn) into developing Hi-Vision, according to industry estimates.

It was in Japan's interests to continue developing Hi-Vision, Mr Sekimoto added. The government, NHK and consumer electronics makers have together put efforts into Hi-Vision broadcasting. Efforts will be made to extend broadcasting time, increase software, and reduce the price.

Mr Sekimoto was joined in his defence of Hi-Vision by Mr Norio Ohga, president of Sony, Mr Yoichi Morishita, president of Matsushita, and other representatives of Japan's leading electronics companies.

Plutonium plan may be suspended

By Emiko Terazono in Tokyo

The Japanese government, currently re-evaluating its nuclear policy, is likely to suspend development of its controversial plutonium recycling programme.

The decision is expected to be announced in June by the country's Atomic Energy Commission, which has been assessing Japan's long-term nuclear policy for the past 18 months.

The review would include delaying construction of a prototype fast breeder reactor using plutonium as fuel and the launch of a plutonium processing plant. It is a drastic change in stance by the Japanese government, which has staunchly stood by its ambitious nuclear programme formulated in the 1950s.

Mr Yasutaka Moriguchi, director in charge of Japan's nuclear policy at the Science and Technology Agency, cited technical difficulties for the delay, and said it had not abandoned its goal of becoming completely energy self-sufficient through recycling nuclear fuel.

The shift comes amid mounting international criticism over its plutonium recycling policy, stemming from concerns of nuclear proliferation and the world's current excess supply of plutonium.

It also poses questions for Thorp, the UK plutonium reprocessing plant owned by British Nuclear Fuels. Japanese electric utilities are Thorp's largest clients and have shipped 2,300 tonnes of used nuclear fuel to Sellafield to be processed.

Israeli pull-out 'by third week in May'

By David Horovitz in Jerusalem and Mark Nicholson in Cairo

Israel has sent word to Palestine Liberation Organisation chairman Yassir Arafat that it plans to complete its military pull-out from the Gaza Strip and the Jericho area of the West Bank by the third week in May, government officials said yesterday.

Earlier this week, the Israeli environment minister, Mr Yossi Sarid, said that, by late May, he expected Mr Arafat to relocate from Tunis to a new PLO headquarters in Jericho.

The Israeli officials spoke as Israeli-PLO peace talks, bogged down in arguments over the minutiae of Palestinian self-rule, appeared to be moving into high gear. Israel's Prime Minister, Mr Yitzhak Rabin, said agreement had been reached on the size of the Palestinian police force, "plus or minus 8,000 for the Gaza and Jericho stage."

Mr Yossi Beilin, deputy foreign minister, said he believed the original April 13 target date for completing the Israeli withdrawal would not be missed by more than two or three weeks. Sometime in the spring, he said, "we'll be able to celebrate a task completed".

In Cairo, Israel and the PLO agreed to reconvene next week for further talks on the police force, other security arrangements and civil administration issues related to the transfer of power. The PLO's delegation head, Mr Nabil Sha'ath, and his Israeli counterpart, Maj-General Amnon Shahak, expressed satisfaction at progress made. The release of Palestinian prisoners remained under discussion. "But only a little is left to do," Mr Sha'ath stated.

He believed agreement had been reached on rules of conduct and deployment of a Palestinian police force in Gaza and Jericho after Israeli withdrawal. He has spoken of a meeting between Mr Arafat and Mr Rabin as early as next weekend to wrap up final issues. Mr Beilin said such a meeting was "not far off".

Talks in Paris on the economic aspects of Palestinian autonomy have stalled because of disputes over the future trading relationship between Israel and the areas under Palestinian self-rule. The Palestinians want their own currency and an independent foreign trade policy. Israel rejects the currency demand.

Vietnam court jails ex-minister

By Victor Mallet in Bangkok

A former Vietnamese cabinet minister was sentenced by a Hanoi court yesterday to three years' jail for corruption, at the end of a trial designed to show the communist government's determination to crack down on widespread bribery and fraud.

Mr Vu Ngoc Hai, 62, the former energy minister, and eight others were convicted of embezzling some \$300,000 (£166,000) while buying steel for the building of a new electric power line linking north Vietnam with the south. Mr Hai, who said he was innocent, was the highest-ranking Vietnamese official to have been tried for corruption.

Corruption has spread rapidly since the Vietnamese government began liberalising the economy in 1986, irritating foreign investors and angering poorer Vietnamese citizens, who are often forced to pay bribes to civil servants for routine transactions.

The government of prime minister Vo Van Kiet has made the fight against corruption a priority, and the case of Mr Hai and his associates attracted intense interest in Vietnam. The court was packed throughout the six-day trial.

The power line project, aimed at bringing surplus electricity from the north to the industries of the south, was sensitive because it could end up costing double the estimated \$300m because of delays, corruption and poor planning. Protesting his innocence, Mr Hai said: "I have been true to the party for 48 years."

NEWS IN BRIEF

Islamic militants admit attack on Egyptian train

Islamic militants yesterday claimed responsibility for an attack on a train in Upper Egypt in which an explosive device slightly injured 11 people, six of them foreign tourists, writes Mark Nicholson in Cairo.

The Gamaa al-Islamiyya, a militant Islamic group which has warned tourists to avoid Egypt for their own safety, said the attack was in retaliation for death sentences handed out by a military court on three men charged with attempting to assassinate President Hosni Mubarak. A bomb also exploded outside a Cairo bank, a day after a Gamaa al-Islamiyya deadline for depositors to withdraw their money from banks which pay interest. No one was hurt.

De Klerk hit by stone

South African President F W de Klerk was struck by a stone thrown by an African National Congress supporter yesterday, highlighting the growing incidence of political intimidation during the campaign for April's all-race elections, writes Patti Waldmeir in Johannesburg. Screaming ANC supporters drove Mr de Klerk from a coloured township in the Northern Cape region. He was unhurt. "We are not afraid of the ANC. We will not allow ourselves to be intimidated. We will not cringe. We will not run away," he said.

Rand sinks to new low

The commercial rand and the financial rand, South Africa's foreign investment unit, sank to new lows against the dollar in heavy trade yesterday, taking local financial markets by surprise, writes Matthew Curtin in Johannesburg. The commercial rand fell to R3.533 from R3.477 against the dollar, while the finrand tumbled to R4.695 from R4.635 although it recovered in late afternoon trade.

Camdessus visits Algeria

Mr Michel Camdessus, the managing director of the International Monetary Fund, arrived in Algiers yesterday on a two-day visit, writes Francis Ghilès. Agreement with the IMF on a package of economic reforms is essential for Algerian leaders who are desperate to loosen the burden of foreign debt repayments which, in 1994, will absorb all the country's oil and gas receipts.

Discrimination case settled

Australia's biggest sex discrimination case, involving nearly 700 women and the country's largest company, has been settled nearly 14 years after the case began, Reuter reports from Sydney.

Reports said the settlement would cost steel, mining and oil giant Broken Hill Proprietary at least A\$7m (£3.4m) and perhaps as much as A\$20m. The case, involving steelworks at Port Kembla, New South Wales, went to the High Court after the women claimed they had been denied work because of their sex.

Small is successful in a liberalised India

Stefan Wagstyl on a new breed of entrepreneurs making the best of a more open economy

"Packaging is my first love. You can wake me up at two o'clock in the morning and I will talk about packaging," says Mr Ashok Chaturvedi, a Delhi businessman who has made his fortune out of plastic bags.

Mr Chaturvedi, who has three telephones on his desk and a radio telephone in each of his three Mercedes cars, lives and breathes packaging. His smallest bags are pouches for selling individual packs of tea, spices and shampoos. His biggest are zip-locked sacks strong enough to take a tyre.

Flex, the group 38-year-old Mr Chaturvedi founded only 10 years ago, expects to see sales rise 70-80 per cent in the year to June from Rs1.4bn (£30m) last year, with a similar increase next year. Mr Chaturvedi says: "There's no limit. This is going to be the biggest flexible packaging business in the world."

Mr Chaturvedi is one of a new breed of Indian entrepreneurs that has been quick to seize the opportunities created by the economic reforms started by Mr Rajiv Gandhi, the former prime minister, in the mid-1980s, and greatly

Mazumdar: boost to business

extended under his successor Mr P V Narasimha Rao.

Free of the burdens which saddle many larger groups – such as over-manning, outdated plant and bloated corporate bureaucracies – younger companies are showing how best to take advantage of liberalisation, notably in bringing new technology into India and searching out export markets.

Mr Pradip Shah, managing director of Crisi, a credit rating agency, says the opportunities created by reform often suit smaller companies better since they require rapid responses. Mr Chaturvedi is more blunt: "Reform can allow the fast to move faster, but it cannot bring the dead back to life."

The performance of small companies has yet to have much impact on national industrial production figures which show India remains stuck in a three-year-long recession, albeit with faint signs of recovery ahead.

However, high-growth pockets such as the southern edge of Delhi, the engineering centre of Pune in western India, and the southern city of Bangalore are seeing much higher rates of increase. All have fostered strong communities of small companies.

Nowhere is this more visible than in Bangalore, which has long been a centre for high-technology engineering, diversified into electronics and software in the 1980s and is now moving into other advanced industries.

One such new-generation company is Biocon India, a biotechnology company supplying enzymes for use in brewing, food-processing, textiles and other industries.

Biocon's founder is Ms Karin Mazumdar, a qualified master brewer who started the company at the age of 25 in 1979 after she failed to get a job in the male-dominated brewing industry.

Like Mr Chaturvedi, she had little money of her own and began the business in a garage with an investment of just Rs3,000. She persuaded Biocon Biotechnology, an Irish enzyme maker, to take a stake in her company and to transfer know-how.

Today Ms Mazumdar has annual sales of Rs165m, exports half her output and employs 105 people, 25 of them scientists with advanced degrees.

"India," says Ms Mazumdar, "is the most cost-effective place in the world for high-technology research. The salary of a good PhD-qualified researcher is only Rs10,000 a month – a fraction of rates in the US."

Ms Mazumdar says economic reform is bringing a big boost to her business because it is forcing customers to become more competitive and up-grade their products. "Companies used to be so complacent. Now they are not."

If biotechnology is one of India's newest industries, leather is one of its oldest. But the opening of India's economy, especially the government's export drive, has created fresh opportunities.

Mr Narayana Bhatt, a Bangalore lawyer, and his wife, Mrs Madhura Bhatt, noticed in the 1970s that most traditional producers were tanners making goods without paying much attention to fashion. Mrs Bhatt started making high-fashion handbags in her garage. As the business grew, her husband joined her and they diversified into leather coats and other garments.

Their company, Namaste Exports, expects to see sales of more than Rs1.bn in the year to March, a 40 per cent increase on last year. Almost all the output is exported.

Mr Bhatt, Namaste's chairman, says the biggest effect of reform has been to transform attitudes to making money. "Before, if you went into business people said you were a selfish capitalist. Now we are free of that thinking."

Few Indian entrepreneurs can claim to have achieved as much as Mr Chaturvedi, Ms Mazumdar and Mr Bhatt in so short a time. Failure is almost as common as success among young businesses and many entrepreneurs spend their lives just trying to break even. Moreover, the penalties for failure in India are harsh – nearly every day, there are newspaper reports of self-employed businessmen beaten or killed by loan sharks.

Yet, the odds are steadily improving in the entrepreneur's favour. Though Mr Chaturvedi, Ms Mazumdar and Mr Bhatt's businesses were started well before the latest phase of reform, the three founders agree that liberalisation has greatly improved their prospects.

And they are all convinced that return to the pre-reform days of socialist bureaucratic overkill is unthinkable. As Mr Bhatt says: "We will never allow things to go back. There are too many of us now."

US tempers outrage over spying

Christopher points up broader interests

By George Graham in Washington and Leyla Boulton in Moscow

Suspected Russian spy, Mr Aldrich Ames, leaves the court yesterday at Alexandria, Virginia Associated Press

The US yesterday maintained its tone of outrage over the arrest of an alleged Russian spy at the Central Intelligence Agency, but officials made clear that they had broader interests at stake in their relationship with the government of President Boris Yeltsin.

Mr Warren Christopher, US secretary of state, said the administration would "take every measure to protect the US and to prevent such activities from being carried out in the future". He insisted, however, that Russia's progress towards elective democracy and a market economy was more important to the US's strategic interests.

"Events in Russia over the past few weeks have revived our fears about the future. The dangers in Russia are very real, but I would want to emphasise that these events should be put into perspective," Mr Christopher told the Senate committee on foreign relations.

US officials were certainly not under the illusion that the KGB's successor agencies had entirely given up operations in the US, nor has the CIA stopped spying in Russia.

Nevertheless, Monday's arrest of Mr Aldrich Ames, a senior CIA official, makes it more difficult for the administration to argue publicly for large sums of financial aid to Russia. Charges filed against him in a federal court alleged that he continued spying for the Russian foreign intelligence service, in return for a total of $1.5m, after the break-up of the Soviet Union.

Russia yesterday sought to play down the issue, pointing out that both countries continued to spy on each other.

"It would be inappropriate to blow this story into a political scandal. After all, intelligence, even in a changing world, remains intelligence, with its own specific methods and interests," Itar-Tass said.

"Incidentally, the leadership of the US and several other western countries have stated more than once that they are not about to scale down their intelligence-gathering operations regarding Russia," it added.

"Nothing has changed," said Mr Vyacheslav Trubnikov, first deputy director of the External Intelligence Service recently. The latter was hived off from the former KGB with the Soviet Union's collapse, while domestic operations were concentrated in a new Security Ministry which in December was replaced by the Federal Counter-Intelligence Service.

The Russian paymasters of Mr Ames and other spies were doubtless seeking the same sort of information as most other intelligence agencies, with the added suspicion that their former cold war enemy was seeking to make the most of chaos in the former Soviet Union.

Russia's new weaknesses range from political instability, a loss of water-tight borders as a result of the Soviet Union's collapse, and the creation around it of a dozen new states, such as the Baltics, which Russia says are also spying on it.

Without giving details, one Russian security source, obviously proud of the public news of a Russian success in penetrating US intelligence, said yesterday that Mr Ames had been an important agent.

Mr Ames's former role in counter-intelligence would have given him access to sensitive details of the CIA's own agents in the former Soviet Union, as well as to the CIA's efforts to ensure that it was not penetrated in turn by the Soviet Union.

Nonetheless, US officials appear to be ready to smooth over the row so long as Russia is willing to go through the motions of contrition.

Among other gestures, the US would like Russia voluntarily to withdraw those of its diplomats who were involved with Mr Ames. It would also like Russia to refrain from expelling the CIA's station chief in Moscow, which in the cold war years would have been a traditional tit-for-tat measure.

Although the CIA is smarting over the discovery of a "mole" so high in its ranks, the case may help the agency make the case for preserving the US intelligence budget, which has come under fire in Congress as overblown for the post-cold war era.

Mr James Woolsey, director of central intelligence, has argued that the CIA is needed more than ever both in tracking new threats such as terrorism or nuclear proliferation, and in economic intelligence, which he has described as "the hottest current topic in intelligence policy".

Canadian business in cuts warning

By Bernard Simon in Toronto

Business leaders and economists have warned that the financial markets' confidence in Canada could be severely shaken if the Liberal government fails to deliver big public spending cuts over the next 12 months.

The warnings tempered a mildly favourable response to the package of restraint and tax-broadening measures contained in the new Liberal government's first budget, tabled by Mr Paul Martin, finance minister, on Tuesday. Markets showed little reaction to the budget yesterday.

Mr Martin projected a drop in the deficit from C$45.7bn (£23.30bn) in the year to March 31 1994, to C$39.7bn next year and C$32.76bn in 1995/96.

He promised longer-term reductions in next year's budget, following a review of Canada's costly social security programmes and the system of transfers to the 10 provinces. These two items plus subsidies make up 61 per cent of Ottawa's total spending (excluding debt payments).

The Liberals, who came to office last November, have pledged to cut the deficit to 3 per cent of gross domestic product by 1997.

The projected drop in the deficit over the next two years is predicated largely on a sharp rise in government revenues. But Mr Michael Manford, chief economist at ScotiaMcLeod, said yesterday "the only way that the deficit is going to be materially reduced is by spending cuts."

The concern centres on the continuing spiral in Ottawa's debt burden. Despite the lower deficit, net debt is expected to rise from 67.6 per cent of GDP in fiscal 1993 to 75 per cent in 1996. Almost a third of federal revenues are channelled into debt-service payments.

Among tax loopholes closed by the budget are a C$100,000 capital gains exemption, and the ability of Canadian-based companies to avoid tax by channelling income through foreign affiliates.

Spending cuts include the closure or consolidation of more than a third of Canada's 60 military installations as part of a 12 per cent cut in defence spending over the next five years.

Envoy backs reforms in Mexico

By Damian Fraser in San Cristóbal de las Casas

Mr Manuel Camacho, the presidential peace envoy in Mexico's southern state of Chiapas, has linked the resolution of the 54-day peasant uprising there to national democratic reforms, in an apparent switch in strategy.

After publicly insisting that negotiations with the Zapatista rebels must focus on economic and social problems in Chiapas, Mr Camacho seemed to join with the rebels after the second day of talks in criticising Mexico's political system. He agreed that democracy must play a part in a solution to the uprising.

"Many of us want changes in the country. We want more democracy, more freedoms and advances in justice," he said "The solution is a new treatment for all indigenous communities in the country and a commitment to democracy in Mexico."

Mr Camacho, known for his negotiating skills, may have changed his tone to gain the trust and confidence of the Zapatistas before seeking concessions from them. Alternatively he could be acting on behalf of President Carlos Salinas, who in the past has used Mr Camacho to prepare public opinion for democratic changes.

However, Mr Camacho is known to believe privately that electoral reform is an essential condition for an agreement with the Zapatistas. Discussions between the government and the opposition parties on democratic reforms have recently stalled, and Mr Camacho may have been trying to press on the governing party the importance of making the necessary political concessions if it wants to solve the conflict in Chiapas.

Speculation has risen Mr Camacho is using the peace talks to lay out his own agenda for democracy and establish his independence from the ruling Institutional Revolutionary Party. Mr Camacho failed to win the party's presidential nomination for this year's election, but is still thought to have presidential ambitions.

The rebel spokesman subcommander Marcos warned that if negotiations broke down the Zapatistas would return to war. "If peace is not dignified and true, who will deny us the sacred right of living and dying like dignified men and women? Who will impede us returning back to war and death?" he said.

Pentagon counsel for Reno deputy

By George Graham in Washington

The Clinton administration yesterday picked Ms Jamie Gorelick, general counsel at the Pentagon, to be its new deputy attorney general.

Attorney General Janet Reno, who asked Mr Philip Heymann, her last deputy, to leave because of different management styles, said Ms Gorelick was "an accomplished lawyer and a proven leader".

The nomination is subject to confirmation by the Senate, and the 43-year-old lawyer could face some hostility from conservative Republicans who have complained about the way she handled them while at the defence department.

Ms Gorelick has already passed the confirmation hurdle once when she was appointed to her Pentagon position. But, like Mr Strobe Talbott, who was confirmed by the Senate this week as deputy secretary of state after some rancorous debate, she could face greater difficulty in winning votes for this more public post.

Nevertheless, her nomination is expected to be approved without too much difficulty. She has considerable experience of the nomination process, since she supervised not only the administration's defence nominees but also Ms Reno's own confirmation hearings last year.

Fund managers face private trading curbs

Patrick Harverson on protecting US investors

The firing of a senior fund manager for failing to report details of his private share dealings has started a debate in the US mutual fund industry over the widespread practice of managers trading their own share portfolios while running large investment funds.

Mutual funds regulations may be tightened to ensure investors do not lose confidence in the huge US fund industry.

There is no law against fund managers trading stocks for themselves while managing their clients' money. They are required, however, to inform their company when they do so. It is up to the company to ensure managers do not conduct trades that benefit themselves at their customers' cost.

Such abuse includes illegal practices such as "front running" (fund managers buying shares for themselves before buying them for the fund), accepting hidden fees from a company when they buy its shares for the fund, or accepting favours from a client who does business with the fund (such as being granted privileged access to private stock placements).

The firing in January of Mr John Kawecke, a successful and high-profile money manager at the Invesco fund group, was not as a result of illegal behaviour. He was accused of failing to report his personal trades to the fund company.

Mr Kawecke's departure attracted a lot of attention because he was well known in the industry and the publicity quickly led to revelations of apparently similar cases at a number of leading fund companies.

A few days after Mr Kawecke was fired, for example, it was revealed that the Securities and Exchange Commission was investigating personal trades by employees of Fidelity, the country's largest fund group.

Other cases involving possible conflicts of interest in fund managers' dealings were publicised, including the news that the Chicago-based investment group Kemper had paid $9.8m in October to settle government charges that one of its mutual fund managers had kept profitable futures trades for an employee profit-sharing account while dumping unprofitable trades into two of the firm's mutual funds.

Fund companies and politicians in Washington began to worry that investors would start to lose confidence in the mutual fund industry. At the behest of Congressman Edward Markey, the chairman of a House finance subcommittee, the SEC launched a study into fund managers' trading activities.

A senior fund manager's firing started a debate in the industry and Congress

The Investment Company Institute, the mutual fund industry trade body, has announced the launch of its own study into fund managers' personal share dealings. Like the rest of the industry, it sees nothing wrong in fund managers running their own portfolios. It is, and always has been, a common practice.

"Most companies believe [allowing managers to run their own portfolios] keeps them hungry, and ensures that they're paying attention to their funds. It's a way of keeping people sharp," says Mr Jim Coursey, a mutual fund industry analyst who works for Morningstar, the Chicago-based financial services and information firm.

However, Mr Stanley Sporkin, a Washington DC district court judge who led the SEC's enforcement division during the 1970s, believes the industry should, to eliminate all possible conflicts of interest, consider requiring professionals to place their investments in a blind trust while they manage mutual funds.

The debate has focused attention on the broader concern that the mutual fund industry may have outgrown its regulatory framework. The industry's recent growth has been dramatic. In 1980, just 6 per cent of all households owned mutual funds worth $135bn. Today, 27 per cent of all households, or almost 40m people, have more than $2,000bn invested in funds.

Although most observers believe the regulations are adequate, some legislators are worried that the SEC, the chief regulator of mutual funds, lacks the staff to enforce them properly.

The structure of the industry has also changed. Whereas once, only investment firms and securities houses sold mutual funds, today commercial banks are aggressively marketing in-house mutual funds to depositors.

Legislators fear that as banks become more involved in the securities industry through mutual funds and other activities, regulators will find it increasingly difficult to determine the safety and soundness of bank finances. They also fear that customers may be buying mutual funds from banks without realising that their investments, unlike the money in their bank account, are not backed by a federal guarantee.

Congressman Markey would like to see banks conduct all their mutual fund and other securities industry-type activities in separate corporate entities. He also would like the SEC to take on more staff to regulate the fund industry, and wants regulations governing the marketing of mutual funds by banks tightened so that customers are fully informed about what they are buying.

Canada cuts industrial input duties

By Bernard Simon in Toronto

Competitive pressures on Canadian manufacturers caused by free-trade agreements with the US and Mexico have led Ottawa to propose a unilateral cut in customs duties on a wide range of industrial inputs.

One customs official estimated that about 1,500 items would be covered, notably electronic and other components.

The cuts, announced by Mr Paul Martin, finance minister, in Tuesday's federal budget, will be part of a sweeping three-year review of the tariff structure by the Finance Department. That review is likely to include the rounding out of decimal points in specific customs duties, elimination of low "nuisance" duties, and other measures to simplify and improve the transparency of tariffs.

According to budget documents, the tariff structure has become increasingly complex and costly to administer, partly as a result of multilateral trade-liberalisation exercises, such as the recently concluded Uruguay Round.

The 1989 US-Canada free trade agreement and the recently implemented North American Free Trade Agreement (Nafta) have put many Canadian industries at a disadvantage to US counterparts, which pay lower duties on raw materials, parts and components imported from third countries.

The impact has been mitigated up to now by duty drawbacks, under which customs duties are refunded on inputs used for goods which are eventually exported. Under the US-Canada FTA and Nafta, however, drawbacks on goods shipped to the US and Mexico are due to be eliminated on January 1 1996. The US accounts for three-quarters of Canada's export trade.

EU accused of Gatt violations on fish

By Frances Williams in Geneva

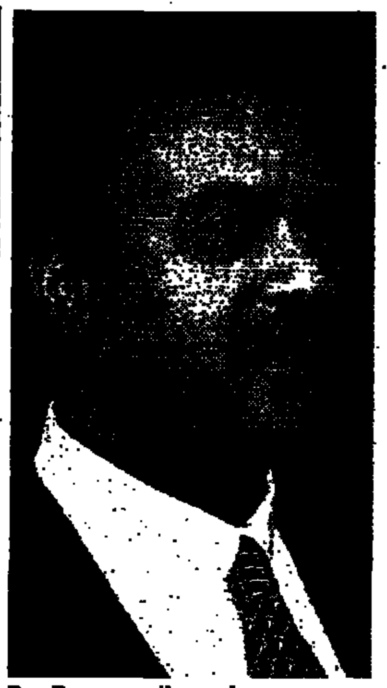
The European Union was accused yesterday by the US of acting in violation of Gatt rules by imposing new restrictions on imports of white fish, following recent violent protests by French fishermen.

At a meeting of Gatt's governing council, the US complained that in the wake of French moves to disrupt fish trade the EU had "unilaterally and, we believe, illegally" notified trading partners of restrictions on fish imports at prices below reference levels.

EU officials said the restrictions, which apply to white fish from all sources, especially cod, haddock, coalfish, hake, monkfish and Alaska pollack, were in response to a crisis in the fish market. The minimum import price scheme, introduced on February 5 and due to end on March 15, was designed to stabilise the market and prevent price declines.

Brazil took issue with US plans to subsidise 25,000 tonnes of soyabean oil exports to China, which it said ran counter to the spirit of the accords limiting agricultural export subsidies. The US said the amount was less than 2 per cent of China's total annual imports of vegetable oils.

Australia expressed concern the US might be tempted to make increased use this year of its export subsidy scheme, the export enhancement programme, to reduce farm surpluses before the Uruguay Round comes into effect.



Ron Brown: on the road

Clinton & Co looks for business

Administration is fighting for more foreign orders, writes Nancy Dunne

AT&T, the US telecommunications giant, insists that it is just one of several companies vying for a contract to be awarded next month to expand Saudi Arabia's telecoms system.

However, it has one clear advantage: the commitment of the Clinton administration to mobilise the resources of the federal government to help US businesses compete aggressively for large overseas contracts.

Mr Ron Brown, commerce secretary, went twice to Saudi Arabia in pursuit of last week's $6bn aerospace deal for Boeing and McDonnell Douglas. He also has made it clear that the administration will do "everything possible" to help AT&T's bid succeed. "The Saudis are adding 1.5bn new lines. That's $4bn worth of business. The question is will NEC, Siemens or AT&T get it?" said Mr Brown.

Indicative of the administration's aim to capture large chunks of the world's infrastructure business is its plan to establish a commerce department advocacy centre. It will be along the lines of the "war rooms" set up in the Clinton presidential campaign and the fight to pass the North American Free Trade Agreement.

The centre will co-ordinate all US government support on behalf of US companies and mobilise resources and support for nearly 100 important government procurement projects abroad. It will devise the same kind of intense intergovernmental strategy for economic ends as the government does for political and security objectives.

Mr Jeffrey Garten, commerce department undersecretary for trade, said government advocacy would go beyond the usual representations by ambassadors or visiting senior officials to making strenuous efforts "involving everything from financing to foreign policy pressure".

Mr Garten is now in Asia in support of US telecommunications, aerospace and energy companies and "forming effective working relationships with businesses on the ground". He is seeking "new ways to pursue commercial partnerships" there, targeting particularly Indonesia and China, where "hundreds of billions of dollars of new construction and rebuilding contracts are being placed up for bidding".

Mr Brown, his aides say, has already helped Motorola win a $100m cellular telephone contract in Kuwait. He has his sights on other deals, including telecommunications in China and fighter aircraft in Malaysia.

The Commerce Department is already developing strategic plans for each of the 10 "big emerging markets" on which it has decided to focus its energies – Mexico, Brazil, Argentina, India, Indonesia, Turkey, Poland, South Korea, South Africa and the Chinese Economic Area (including mainland China, Taiwan and Hong Kong).

These markets are expected to provide 44 per cent of the world's new trade opportunities over the next 20 years.

In line with that strategy, Mr Brown is planning next year to visit Asia twice, and Latin America, South Africa and Russia.

An intensive effort to expand US trade and investment in Mexico is already under way with the department's "Export Mexico" campaign, which aims to assist small and medium-sized companies into the market.

Asian investors lead the way in Vietnam

FT writers on those who beat the Americans to it

Long before President Bill Clinton lifted the US trade embargo against Vietnam earlier this month, Washington's Asian allies were investing and trading enthusiastically with Vietnam and profiting from the growth unleashed by economic reform after 1987.

US groups are likely to use their influence in sectors such as computers, telecommunications, aerospace and oil exploration to challenge Asian and European rivals already established in the country.

Taiwan and Hong Kong are the biggest foreign investors in Vietnam. Together they have proposed more than $2.7bn worth of projects.

Taiwanese businessmen in particular benefit from their links to ethnic Chinese businessmen in Cholon, the Chinatown of Ho Chi Minh City. Taiwan's government is also keen to diversify offshore investment away from China.

Big Taiwanese players with joint ventures in Vietnam include the Ching Foong conglomerate, the sole motorcycle assembler in the country, and food group Ve Dan, which is investing $180m to produce monosodium glutamate, instant noodles and drinks.

Hong Kong's Wharf Holdings, which this month opened the doors of its 260-room Omni Saigon hotel, managed to do so within 18 months of signing the initial agreement with Japanese and Vietnamese partners.

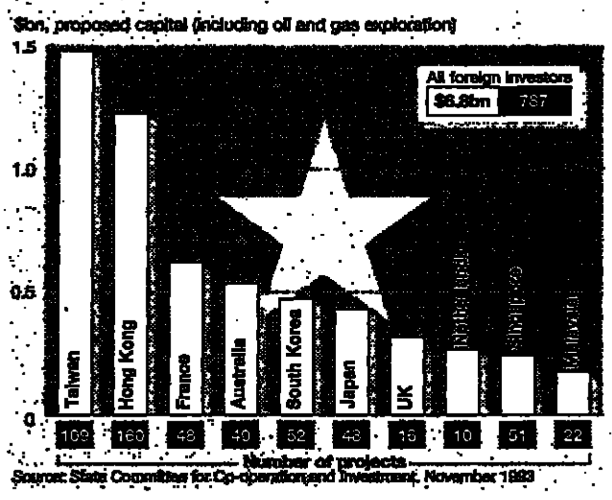
However, with the return to Chinese sovereignty of Hong Kong in 1997, some Hong Kong companies are cautious about dealing with Vietnam because of the long-standing hostility between Hanoi and Beijing.

It is Cable and Wireless, parent of Hongkong Telecom, rather than Hongkong Telecom that is exploring the potential of the underdeveloped Vietnamese market.

Also breaking into the telecommunications market is Hong Kong-listed ABC Communications, whose paging service in Ho Chi Minh City is being augmented with operations in Hanoi and Haiphong. Confronted by regulatory obstacles in China, the group has sunk HK$10m

Vietnam: main foreign investors

$bn, proposed capital (including oil and gas exploration)



Source: State Committee for Co-operation and Investment, November 1993

(£877,000) into Vietnam.

South Korean businesses, already among the biggest investors in Vietnam with about $500m promised to Vietnamese projects, could increase their investments with the end of the US embargo.

Seoul and Hanoi established diplomatic relations in December 1993, but South Korean companies had begun investing in Vietnam in the late 1980s. Medium-sized Korean textile and toy producers, interested in exploiting Vietnam's low wage costs, have so far provided most of the investment.

Daewoo has been the most aggressive among the Korean conglomerates trying to establish a firm foothold before the Japanese. "We prefer to invest in countries, such as Vietnam, where the Japanese are not dominant," said Mr Bae Soon-hoon, president of Daewoo Electronics.

Daewoo is building a $35m joint venture motor vehicle assembly plant in Hanoi, which will produce 10,000 cars, trucks and buses annually beginning in 1995. It will soon begin operation of a $170m joint-venture TV picture tube factory in Hanoi and has started construction of a $134m business centre complex, including a 300-room hotel, in the capital.

Hyundai is planning projects to build a container plant and a ship repair yard and is considering establishing a car assembly plant. It also wants to help construct a motorway linking Hanoi to Haiphong, and may seek offshore oil exploration rights.

Samsung plans to construct a large chemical plant near Hanoi and is negotiating a joint venture to produce medical equipment near Ho Chi Minh City. Lucky-Goldstar is hoping to sell telecommunications equipment, such as telephone exchanges, to Vietnam and plans to set up a consumer electronics sales network.

Japanese companies, which were sensitive to US criticism and had not previously been in the vanguard of the Asian investment rush into Vietnam, have been busy catching up in the past two years.

New Japanese investment, negligible in 1988, increased to a peak in 1992 of $220m, before falling back to $90m during the first 11 months last year, according to Jetro, the Japan external trade organisation.

The big trading houses such as Nissho Iwai and Mitsui have been among the most active. Mitsui, which exports machinery and chemicals to Vietnam and sends out oil and prawns, expects to double its turnover in Vietnam this year, although it refuses to give figures.

The end of the US embargo represented good and bad news, said Mr Yasuo Ogawa, assistant general manager at Mitsui. The positive aspect was that it allowed Japanese companies to set up joint-ventures with American groups; the company had already teamed up with Unisys, the US computer group, to tackle the Vietnamese market. The negative aspect was that competition would intensify.

Mitsui has more than 20 projects in the pipeline. It already owns minority stakes in a polyester and rayon factory, and a 240,000-tonne a year steel plant costing $60m. It has put in bids to construct a container port at Than Tuan, near Ho Chi Minh City and wants to construct a 60,000 tonnes a year PVC plant. It is making a bid with British Gas and TransCanada to build an offshore oil-field pipeline.

Reporting by Victor Mallet in Bangkok, Louise Lucas in Hong Kong, John Burton in Seoul and Paul Abrahams in Tokyo

BT set for £10bn upgrading programme

By Andrew Adonis

British Telecommunications is set to announce a massive network upgrading programme later this year to bring "information superhighways" to Britain.

The programme, the largest telecommunications investment programme since the introduction of digital exchanges in the mid-1980s, will allow BT to market a range of interactive services including home videos, banking and shopping.

Estimates suggest that the total outlay could exceed £10bn over more than a decade, although large-scale investment would be unlikely to start for at least three years.

Dr Alan Rudge, BT's director of development and procurement, told the FT yesterday that an announcement about extending fibre-optics to BT's local network was likely "in the next few months".

As well as videos, shopping and banking, he cited estate agency, travel and holiday services and health and educational programmes as important markets.

"There is no way we could justify an investment of this kind on just one service," he said, adding that the step required "vision" but was little different in kind from that taken for digitalisation in the early 1980s "the costs of which looked horrendous at the time".

Most of BT's long-distance network is already fibre, but most of its local network is copper, which has only limited transmission capacity. Dr Rudge said BT might be able to take fibre right into the home – not just to street level – if the cost of the necessary electronics continued to fall.

The BT move comes on the back of similar announcements by US and Japanese operators, who see consumer and public sector markets, not just business demand, for new interactive services. Last April NTT, the Japanese domestic operator, announced plans to invest $396m to install fibre to all subscribers by 2015.

Most of the US regional Bell operators have plans to extend fibre into their local networks. Ameritech, which has 12m customers in the mid-west, last month announced plans for a "digital video network" extending to half its network by the end of the decade. US West, which covers 14 western states, earlier this month announced plans to build a hybrid fibre and coaxial network connecting more than 500,000 customers a year from next year.

In the short-term, BT hopes to offer a video service over existing copper wire, using technology about to piloted in Colchester in Essex.

But Dr Rudge said copper-based methods were only "an interim solution". Some senior BT executives have been concerned at the decline in BT's domestic investment programme since the late 1980s. With the conclusion of digitalisation, investment has fallen from a peak of £3.1bn in 1990 to £2.1bn last year. A programme of fibre extension would take capital spending back to £3bn a year for at least a decade from the start of the programme.

Lilley pressed over actions on Iraq documents

By Jimmy Burns

Mr Peter Lilley agreed to restrict information wanted by the defence in the Matrix Churchill hearing, in spite of believing the trial should not go ahead, the Scott exports-to-Iraq inquiry heard yesterday.

Mr Lilley, who is now social security secretary, signed a public interest immunity (PII) certificate in the committal proceedings of the Matrix Churchill trial after being dissuaded by his officials from attempting to stop it.

"It was pointed out to me that it would be quite improper for a minister to interfere with an independent prosecuting authority [customs]. Had I interfered, I think there would have been a very different inquiry going on now," Mr Lilley said.

Mr Lilley said that while serving as trade secretary he had concluded that the prosecution would "certainly fail" after learning that one of the businessmen being prosecuted had been working for British intelligence.

He had also accepted a key aspect of the defence case – that businessmen charged with illegally exporting arms to Iraq had carried out their activities on the basis of advice given to them by Mr Alan Clark, the former trade minister.

Mr Lilley defended his signing of a PII certificate on the basis that there was a "collective ministerial responsibility" to protect the confidentiality of advice given to ministers by officials.

"You can't unilaterally blow a hole in it [the system of PII's] and expect to remain on board the ship," he said after being asked by Lord Justice Scott whether he had any discretion not to sign.

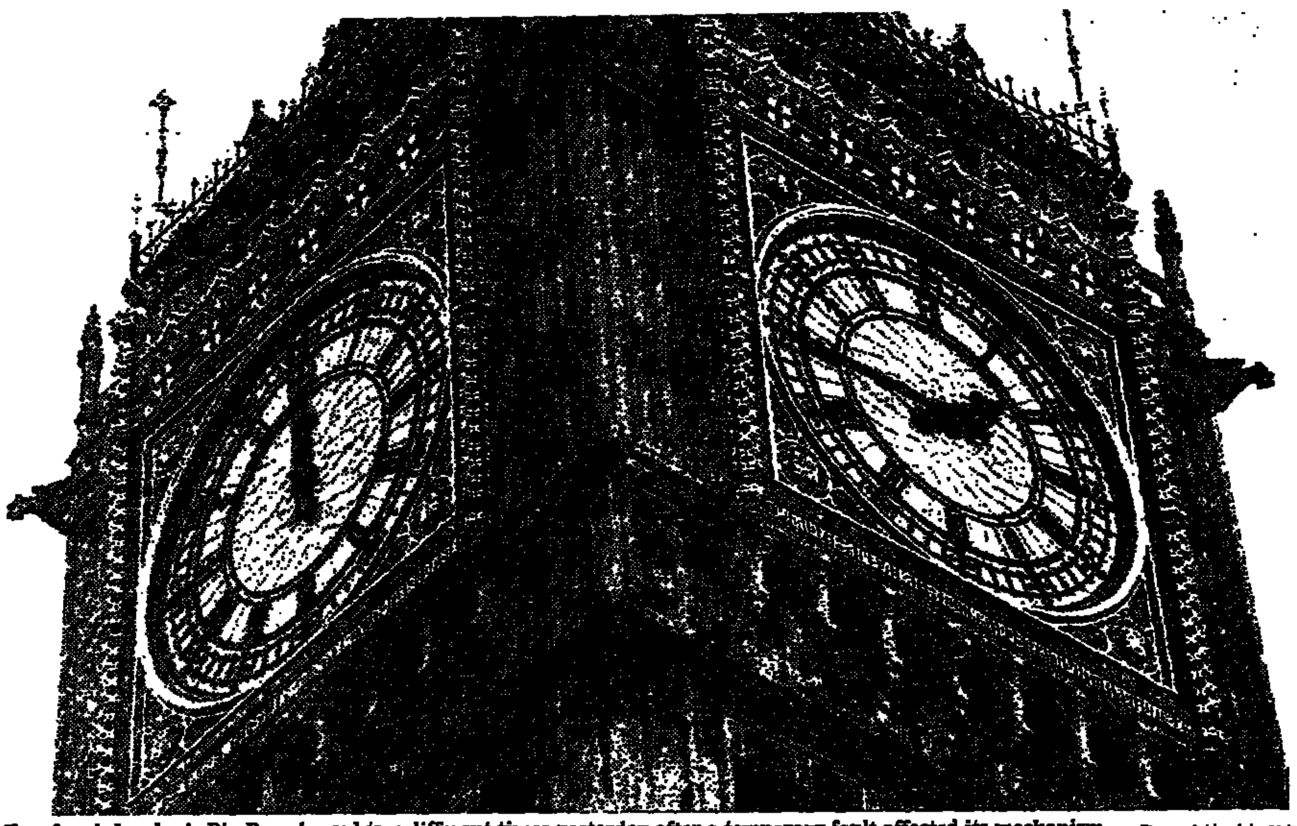
Mr Lilley also said he been advised by government lawyers that none of the documents he was attempting to suppress would have any "significant relevance" in the Matrix Churchill case.

However, the legal position of ministers signing PII certificates was again challenged by Lord Justice Scott, who considers the subject a key issue of his inquiry.

With his counsel Ms Presiley Baxendale QC referring to specific documents covered by Mr Lilley's certificate, the judge questioned the necessity of the minister signing a "class claim" covering suppression of a range of Whitehall documents, some of which the defence claimed was vital to insure a fair trial. Mr Lilley said that he had once himself questioned why as a minister he had no more power than that of "a limited role in classifying documents", but did not receive a "satisfactory answer".

The minister's evidence last night fuelled the opposition Labour party's growing offensive on the government.

Mr Robin Cook, Labour's trade spokesman, said it "beggared belief" that a cabinet minister knew the Matrix Churchill prosecution was a "mistake" but could do nothing to "stop a trial that could have put innocent men in prison".



Two-faced: London's Big Ben showed two different times yesterday after a temporary fault affected its mechanism Picture: Ashley Ashwood

Companies eye road toll contract

By Charles Batchelor, Transport Correspondent

More than 375 companies have responded to a call from the British government for proposals to develop an electronic tolling system for the UK's motorways.

Mr John MacGregor, transport secretary, yesterday announced the timetable for applications from companies to take part in trials. The government hopes to start installing the system in 1998.

Ninety per cent of companies which have expressed an interest are British, Mr MacGregor said. ICL, the Japanese-owned computer company, said it was interested in taking part.

The cost of installing electronic equipment at the 700 motorway junctions could exceed £100m, Mr MacGregor said. The trials would cost several million pounds.

Many other countries are working on electronic tolls but no one yet has a system which could cope with the volumes of traffic on Britain's motorways or with the features which the government wants to include.

The tolling system would have to work on motorways carrying up to 12,000 vehicles an hour at speeds of up to 70 miles an hour without slowing traffic flows. It would have to allow charges to be varied according to time of day and the type of vehicle.

The government intends to install a fully electronic system with no facility for motorists to pay cash. It would however have to take account of people making unplanned, emergency trips and foreign visitors.

One possibility is for a smart card on vehicle windscreens which would be "read" by monitors on overhead gantries. Toll-booths common on continental European and US motorways have been rejected because they require too much space and slow traffic.

The system chosen must be fraud-proof and allow the authorities to trace motorists who travel without paying. However, the system must allow motorists the option of choosing that their routes should not be traceable retroactively though there might be an additional charge for this feature.

France, Germany and Austria are shortly to start limited tests of electronic tolling. The British government is keen to introduce a system compatible with other European Union members and is holding regular discussions with French and German officials.

Directors warn over 'enterprise deficit'

By Lucy Kellaway

Britain is suffering from an "enterprise deficit", according to the Institute of Directors, the group which represents senior British businesspeople. It called for a re-think of the role of companies and directors in the economy.

In a consultation document published yesterday entitled Enterprise with Integrity, the institute argues that in the debate on corporate governance, too much emphasis has been placed on the integrity of directors while the question of how best to promote enterprise has been neglected.

Lord Young of Grafton, institute president and chairman of Cable and Wireless, said the Cadbury report on corporate governance had limited itself to the behaviour of directors whereas it was more important to "get the wealth aspect first".

"Enterprise without integrity is the motto of the Mafia," he said. "Integrity without enterprise is the principle of nationalised industries. What we need is a combination of both."

The report argues that the enterprise deficit – the absence of innovation, investment and risk-taking by companies – is partly responsible for the poor international standing of the UK economy. "Future improvement in British economic performance requires more new UK companies to be established and more existing companies to grow," it says.

As the government increasingly loosens the contraints on business, the onus rests with directors to ensure that they are running their companies in a competent and professional manner, the document says.

It argues for a role for non-executive directors that is more dynamic than the controlling role spelled out in the Cadbury report.

Mr Peter Morgan, director-general of the institute, said the IoD rejected the idea that non-executives were watchdogs. "They should be round the table bringing new skills. You get the watchdog role for free. What you want them for is what they can contribute."

The document lays down four main functions for boards of directors: to set the strategic direction of the company, to make sure that strategy is being implemented, to monitor executive management, and to provide information. It argues that all directors should take part in all these tasks.

The old...

IOD
Institute of Directors

...and the new

IoD
INSTITUTE OF DIRECTORS

Two new flags were hoisted outside the Institute of Directors' Pall Mall headquarters yesterday. On the old flags the IOD's initials were all the same size. But yesterday, the O was smaller, the D bigger. Moreover the D seemed to have been printed on top of the O, like a child's first attempt with a printing set.

This was no mistake, it was the institute's new "visual personality", which its director-general, Peter Morgan, unveiled with pride yesterday. "The new logo emphasises the D is for Director," he said.

The cost of the logo, which was designed by Alan Fletcher – who has worked on corporate identity for Reuters and Lloyd's of London – was £60,000, of which £40,000 was design fees. This compares favourably with the millions spent on new corporate identities by companies such as BT.

Mr Morgan defended the decision to spend money moving the institute's initials around. "Corporate identity is a vehicle to underpin the product," he said. "While there are many other institutes, there is only one Institute of Directors. Company direction is our USP [unique selling point]."

Editors reject legal restraints

The Association of British Editors, the Guild of Editors and the International Press Institute yesterday launched a document spelling out the case against new legal restrictions on Britain's media.

In the document – Media Freedom and Media Regulation – the three organisations identify 16 statutes which they say inhibit reporting, list the media's self-regulation measures and argue that there are potential dangers in further restrictions on the public's right to know.

In his preface to the document Mr James Bishop, ABE chairman, accepts that "that there is continuing difficulty in reconciling the individual's right to privacy and the public's right to know.

"But the legal constraints already in place, together with the latest steps in self-regulation provide sufficient protection of privacy and are more than adequate to meet current parliamentary concern."

The alternative white paper was drafted by Professor Hugh Stephenson of London's City University, following a meeting of more than 60 newspaper, magazine, radio and television editors last autumn.

The meeting followed pressure for legislation to make invasion of privacy a civil offence, and the replacement of the present system of press self-regulation centred on the Press Complaints Commission.

Such pressures have been given focus by Labour MP Mr Clive Soley's 1992 private member's bill on the press, Sir David Calcutt QC's 1993 document, Review of Press Self-Regulation and by the furore following the publication by the Daily Mirror and Sunday Mirror of photographs of the Princess of Wales in a London gymnasium.

Mr Bishop said self-regulation had been developing all the time and "is now working very effectively".

Privacy legislation could not stop abuses, he said.

Tories launch EU poll campaign

By Kevin Brown, Political Correspondent

The Conservative party formally launched its European election campaign yesterday with a broadside against the Labour opposition's "damaging" employment policies.

Sir Norman Fowler, Tory party chairman, said that Labour was committed to a European socialist group manifesto which would destroy millions of British jobs.

But the Tory attack was widely seen as an attempt to deflect attention from tomorrow's scheduled launch of the federalist manifesto of the European People's Party, the European parliament group which embraces the Tories.

Sir Norman said the Conservatives were not committed to the EPP manifesto, which is likely to prompt an angry response from Euro-sceptic Tory right-wingers. He said the Tories would fight the June election on a separate manifesto being drawn up by a group headed by Mr Douglas Hurd, foreign secretary.

However, the manifesto will not be published until close to the election, in an attempt to minimise the danger of worsening the party's deep divisions on Europe.

Sir Norman said the socialist group's proposals for a statutory minimum wage and a 35-hour week would destroy more than 2m jobs and cost British business £20bn.

"A socialist Europe would mean a high-cost Europe, with new and heavier burdens placed on business. Labour and their socialist friends would totally undermine Britain's competitiveness in world markets," he said.

Labour has repeatedly denied Tory claims that it is committed to a 35-hour week. Mr John Prescott, Labour employment spokesman, said the party was committed only to a review of "voluntary work-sharing," which would increase employment at the expense of overtime working.

Ideals of the sixties pass the test of time

Despite Back to Basics Tory MPs have voted to keep liberal icons, **Philip Stephens** writes

The irony seems to have escaped the Conservatives. For a year now – even before it coined that ill-fated phrase Back to Basics – Mr John Major's government has been promising to overturn the fashionable nostrums of the 1960s.

This week most of the cabinet and much of the Tory party lined up behind those same icons of social liberalism. An attempt to reimpose capital punishment was thrown out by a huge majority. MPs then voted to lower the homosexual age of consent from 21 to 18.

There were four great acts of parliament during the 1960s which defined the climate of the age. One abolished hanging. Another liberalised the divorce law. Two more legalised abortion and decriminalised homosexuality.

This week's votes underlined that for all the government's recent rhetoric there is no going back. The fashions of the 1960s have become the conventional wisdom of the 1990s. The cabinet, fortunately, shares that wisdom.

Take the hanging vote. Only two members of the cabinet – Mr John Redwood and Mr Ian Lang – voted with the pro-lobby. Despite his sympathy for some of the less civilised instincts of the Tory party conference, Mr Michael Howard was at the forefront of those arguing against.

The line-up on the age of consent for homosexuals was not much different. Only four senior ministers – Mr Redwood again, Mr John Gummer, Mr Michael Heseltine and Mr John Patten – lined up against the move to 18.

More opposed calls for gays to be treated equally with heterosexuals by setting 16 as the age of consent. But many of these ministers did so in the expectation that two or three years from now parliament will vote for just that.

The picture is not quite as straightforward as regards abortion. Parliament has recently reduced the limit under which foetuses can be aborted. But that decision was linked to advances in medical science rather than to any shift in the moral climate.

As for the final benchmark of the swinging sixties – the liberalisation of the divorce law – the government seems set to move still further in the same direction.

Lord Mackay, the lord chancellor, is known to favour reducing the minimum period of separation before divorce from two years to one year. Others in the cabinet are less sure. But nearly all accept the tide is flowing that way.

So the pillars of 1960s liberalism remain in place – supported one and all by a prime minister and a cabinet publicly pledged to return to the mythical good old days of the 1950s.

They might argue that one or two things have changed in recent weeks. The success of the tabloid newspapers in linking Back to Basics with the private lives of MPs has led Mr Major to take a tougher line with errant ministers. But even here there is an important caveat: only those sexual indiscretions which reach the public domain are to be swiftly punished.

The government is adamant that its flagship theme remains in place but the words are already becoming hard to find in ministerial speeches. In other words, it would be bad politics to admit defeat and abandon the phrase entirely. But like the Citizen's Charter before it, it can be allowed quietly to sink into oblivion.

The government's problems anyway run much deeper. The present confusion is a symptom not a cause.

It was elected in 1992 on a platform which promised to call a halt to the revolutionary radicalism of the Thatcherite 1980s. In its place Mr Major offered a more conventional Conservatism which promised to make things work rather than to dismantle them.

But the prime minister has been running in the opposite direction ever since, attempting to define his administration with radical legislation from which even Baroness Thatcher would have retreated.

Rail privatisation, the shake-up of the police, yet another education bill and the push for single-tier local authorities are symptomatic of a government frightened to stop legislating lest it then finds itself with nothing to say. And when the new laws go wrong – as they frequently do – it has a perfect excuse for yet more legislation.

The traditional strengths of Conservatism – competent management, measured change and careful reform – have been forgotten as ministers scramble to put more laws on to the statute book. An approach that manages at once to be both frantic and fragmented has forced Mr Major to look to snappy but empty slogans to provide a semblance of coherence.

This week's parliamentary triumphs for the social liberalism of the 1960s provided another salutary reminder that politics is just a bit more complicated than that.

Britain in brief

Tories join attack over army job cuts

The government came under cross-party criticism at Westminster yesterday over a new round of army redundancies.

Tory backbenchers joined MPs from the leading opposition parties to attack the 7,000 job losses, made under the third phase of a redundancy programme to reduce the size of the army in line with proposals dating from 1990.

There was particular concern about the prospect of redundancies among soldiers and officers serving in Bosnia.

Downing Street officials said last night that the number of compulsory redundancies among troops at present in Bosnia would "only just" run into double figures.

Redundancies would be "across-the-board", officials said. It would be the same for troops serving in Northern Ireland and elsewhere as it would be for those in Bosnia.

Giving details of the cuts in a parliamentary written answer, Mr Jeremy Hanley, armed forces minister, said that the number of compulsory redundancies would total just over 1,000. He said all those selected would be notified today.

Mr Winston Churchill, a Tory member of the cross-party Commons defence committee, said: "We are strongly opposed, on an all-party committee basis, to these cuts."

TUC outlines big shake-up

The biggest internal shake-up of the Trades Union Congress for 73 years was agreed yesterday by senior union leaders, in spite of reservations about the speed of the proposed changes from the TGWU general union.

The reforms involve making the organisation more of a campaigning body. All of its 17 committees are to be abolished and replaced by a governing executive board while a new department is to be established for campaign and lobbying activities. The "relaunch" is planned for March 1.

Sharp rise in N Sea output

UK North Sea oil output in the three months to January was more than 20 per cent above the level in the same period last year, the Royal Bank of Scotland Oil and Gas Index said yesterday.

Oil production last month rose to 2.4m barrels per day, worth nearly £23m, while gas production was up for the 18th successive month and was worth £16.8m a day.

BNF faces new legal challenge

British Nuclear Fuels is facing a further legal challenge over its Sellafield nuclear waste reprocessing complex in Cumbria, which has been dogged by protracted controversy over the site's £2.8bn Thorp plant.

Copeland borough councillors decided this week to grant outline planning permission to BNF for its proposed £300m mixed oxide fuel manufacturing plant. This would mix plutonium from the adjacent Thorp plant with uranium to produce nuclear reactor fuel for sale to Europe and the Far East.

Yesterday, the Nuclear Free Local Authorities (NFLA) national steering committee, representing 160 councils throughout Britain, said it was considering an application for a judicial review of Copeland's decision. The NFLA argues BNF's environmental statement for the MOX plant, and the way Copeland handled the application, breached European law.

Funeral code is launched

The main representative organisation for providers of pre-paid funeral plans yesterday responded to Monday's launch of an Office of Fair Trading investigation into the industry by unveiling its own code of practice.

The National Association for Pre-Paid Funeral Plans, whose six member companies represent more than 75 per cent of the industry, said the code aimed to "ensure the highest standards of practice are maintained".

The code stipulates that member companies must practise tasteful advertising, set up independent trust funds with separate custodians, submit to annual actuarial or accountants' reviews and provide any information requested by the association. There is also a formal complaints procedure.

Electric cars 'for Coventry'

A fleet of environmentally friendly electric cars may be launched in a city's streets in the first scheme of its kind in Britain.

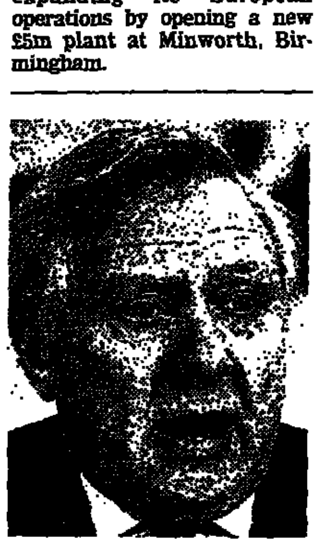
Peugeot has a pilot scheme running at La Rochelle, France, where local people are testing 50 battery-powered cars, and further project is due to start next year in the Loire Valley city of Tours.

Peugeot and Coventry council are hoping to mount a similar scheme in 1996. But first a feasibility study is being conducted and a report is expected in three months.

The Coventry project, if approved, is likely to resemble the proposed scheme for Tours, where electric cars will be hired for individual journeys using a "smart card" electronic monitoring system.

Automotive plant

Preferred Technical Group CHA, a Detroit automotive components manufacturer, is expanding its European operations by opening a new £5m plant at Minworth, Birmingham.



Mr Roy Hattersley (above), Labour's former deputy leader, is to leave parliament at the next general election after more than 30 years as an MP.

His decision, although not unexpected, will deprive Labour of one of its few MPs with ministerial experience.

TECHNOLOGY

British Airways is using a 'workflow' computer system to respond to complaints. Claire Gooding continues a series on getting the most out of software

A caress for the customer

SOFTWARE AT WORK

COMPANY SNAPSHOT

Nature of Business: British Airways is the world's biggest international airline, claiming to carry more passengers on international routes than any other airline. It serves 165 or so destinations in 74 countries, with more than 250 aircraft, and the route network is some 600,000 kilometres (almost to the moon and back).

In its last financial year, the BA group (including the Caledonian charter flight division) carried 28.1m passengers and 532,000 tonnes of cargo.

Turnover: £5,566m, with pre-tax profit of £185m, in the full financial year to March 1993 (one of the toughest years yet for the entire aviation industry).

Employees: The approximate number worldwide is 48,960.

Key Personnel: Sir Colin Marshall, chairman; Robert Ayling, group managing director; Mike Batt, director of marketing; Charles Weiser, head of customer relations.

TECHNOLOGY FILE

Software: Caress was custom-built in the Synon development language, comprising 900 program modules. It uses ImagePlus scanning software for the automatic input, and links with 20 other mainframe systems, including the Babs reservation system, Pandora for flight information, plus corporate mail and telex systems.

Hardware: IBM AS400 E80, running 60 workstations, largely in the same Heathrow site, but a few elsewhere including chairman's office.

Supplier: IBM, in conjunction with Stockport-based Space Computer Systems, a specialist in bespoke systems.

Cost: £4.5m (slightly under the estimate) including implementation, consultancy and 250 man-days of documentation and training.

The airline once pilloried for misusing computers to filch customers has changed its ways with the help of a new system to handle complaints.

"Caress" is a good name for the new British Airways system. Every employee in customer relations who logs on to the computer, ready for a day of reading angry letters and creating mollifying replies, is reminded of the strong business philosophy of customer loyalty.

There was a time when an apposite name for the complaints system might have been "Tough!", but that was before the arrival of Charles Weiser, appointed as head of the customer relations department in 1992. Weiser introduced the idea of customer loyalty to the department. Up to then his career at BA had been spent in implementing ideas to woo and keep customers.

Experience with BA's Executive Club, Air Miles and the Frequent Flyer programmes had given Weiser a grasp of what mattered to whom. "BA's customers are quality conscious, vocal and demanding in their views – highly diverse, not necessarily UK-based, but with the common thread that they demand quality," he says.

When Weiser arrived at customer relations, staff were accustomed to a defensive approach to the job. Callers were told to put complaints in writing. Letters could take weeks to answer and replies were often delayed by exhaustive inquiries about what went wrong and whether or not the company was bound to compensate.

The approach was summed up by Weiser as investigate, adjudicate, and then compensate. "We used to spend more on lawyers' fees than we did on compensation to our Executive Club members," says Weiser. "There were 13 steps to any inquiry, and it took until step 10 to reply to the customer." Ranks of filing cabinets stored letters by the class of complainant (corporate, personal), and then by case number.

The filing system made it impossible to link cases and often resulted in a paper-chase around the office, with one person looking for a particular file, unaware that someone else might be handling another aspect of the investigation.

Weiser's rule book is a lot thinner than BAs' two-inch tome on what circumstances merit compensation, and to what degree. A complaint, he believes, indicates a customer who cares enough to write or telephone, and offers BA an opportunity to impress. His aim is to put the problem right, to impress the complainant with the speed and quality of response and, most importantly, to retain that person's good opinion and future custom.

It costs five times as much to find a new customer as it does to keep an existing one, is a rule hallowed by retail and services companies, and never far from Weiser's mind. "Somebody will tell a story about a bad experience to 10 or so different people. They will tell a further nine about a good response: that's going a long way to create the right impression."

■ BUZZWORDS

WORKFLOW is a term used to describe computer systems that track the progress of a job or process from one person and activity to another. The structure of the business process is built into the software. Document image processing and electronic mail and "groupware" (defining particular work and message groups within the processes) are often a part of a workflow system.

Weiser's starting point is to work out how much a customer is worth "in lifetime value" to the company in future custom; incoming complaints are ranked accordingly. Continuity of case-handling was impossible with the old, defensive system.

It was, in any case, time for a computer update. No existing system on the market at the time embodied the new philosophy to Weiser's satisfaction. He wanted a system that would make it possible to respond swiftly, personalised to the degree that the complainant was not only given a proper answer, but in such a way that he or she was made to feel "listened to" and even special.

The department went through a process recognised elsewhere as "change management" or business process re-engineering. It took a year to change the fundamental attitude, according to Weiser. "Now we ask, 'what can we do to keep this customer with us?' An apology, a refund, a bouquet of flowers? It might even be a full refund. What people want is an apology, quickly, not in two or three months, and an assurance that it won't happen again."

Any system that could deliver this speedy, sympathetic service had to deal with a vast mailbag: an average of 400 letters a day, accompanied by various pieces of "evidence" such as cheques or items of cutlery. It needed links, not only between the various service teams in the department, but to other parts of BA. Each complaint has to be followed through with thorough investigation and communication with the various departments accused of a shortfall in service.

Cutting down on re-keying, and providing these links was an essential part of the system that evolved. IBM suggested a long-term business partner, Space Computer Systems, to undertake a bespoke system for BA, running on an IBM AS400. It provides each workstation with a pair of screens, one displaying the letter, another for tracking the workflow, creating the reply, checking the "audit trail" of who had done what about a particular complaint. "Our approach," explains Vince Southcott of Space Computer Systems, "was to bring all the information to the workstation, automate the key elements."

The Caress system has access to other BA systems (booking, flight information) from which information can be "cut and pasted" into letters. The daily input of letters and any accompaniments is scanned in, then categorised by the duty supervisor as one of 23 types of complaint and for urgency of reply. From that point, every process is tracked, with supervisors checking the progress and case-load. The staff work in teams, taking it in turns to answer the telephone calls that are now positively encouraged.

Tony Andrews

Charles Weiser (right): the aim was to impress complainants with speed and quality

There are weekly report meetings and formal channels of feedback between customer services and the other areas such as catering, baggage handling, and the various terminals. Customer relations are now on-site and are a respected voice among other operations.

"If we have a problem, we can now analyse it," says Helen Mann, systems co-ordinator. She rates highly the "feel-good factor" staff are now able to deliver immediately, especially by telephone. "Before, we had to look in the book, but this system allows us to drill down into immense detail." Responses are not ready-made form letters, although there are strict rules about the wording. Clare Todd, a team leader, is taking her turn at correspondence, with 350 letters on the stack. "There's a lot less frustration, you can see what's going on, and we can spend a lot more time both with the complainants, and with the team," she says.

The 12-week backlog, and its paper-chase, have disappeared. As if on cue, two men appear with barrows to wheel away the last remaining filing cabinets. What is embodied in the system is not the rule book, but a common-sense approach of "own the customer, own the problem, own the response". But it is obvious that Weiser knows the rules in minute depth.

Only three customers in 1,000 complain. Only one in five is compensated, but there is evidence – some of it on the noticeboard – that complainants deeply appreciate the personal touch that the system has cultivated. "The satisfaction rate is enormous," says Weiser, convinced that the system is swiftly paying for itself. "More than 60 to 70 per cent will fly BA again."

CONSULTANT'S CRITIQUE

If so many management textbooks stress how important customers are, why do so few companies take any notice?

British Airways' previous regime mirrored businesses across the country – customers were all that stopped the real work getting done. Turning this around has been an impressive achievement for Charles Weiser.

The software has only been a small part of this success. While the system is good, it still has a number of rough edges. It does not use the full power of graphical user interface provided by IBM's OS/2. The workstations all run a terminal emulator that mimics an old-fashioned screen. Faxes and letters are displayed on a second screen.

In many ways, it appears clumsy in use. If operators wishes to pan the second screen or zoom in on a particular area, they have to look at the first and type on the keyboard. While it is not an issue at present, worries over repetitive strain injury should make BA look at the ergonomic issues soon.

The system integrates reasonably well with external BA database systems and the customer liaison staff have more access to BA systems than many managers. The current methods might be helped by more sophisticated software but at least the current system works.

I liked the idea that staff could measure their own performance using Caress.

They can compare their workload with that of their peers and look at how well they are achieving agreed targets. Likewise, managers can see which members of their team do less well and then develop tailored training packages for them.

As ever, the human management story overshadows the technology. The system succeeds because of Weiser's skills rather than because of any technical wizardry.

The study shows that success is produced by managers, not just technology.

Kevin Grumball

The author is a consultant at Software Design and Construction, of Milton Keynes

PEOPLE

WDA selects Hartop for top job

The new chief executive of the Welsh Development Agency is to be Barry Hartop, an Englishman who until 1992 was managing director of Gestetner Holdings, the industrial services group.

He replaces Philip Head, who resigned last October after the publication of a scathing report on the WDA by the Commons public accounts committee. Head, who stayed in place until this month while a successor was found, has become head of property services at the Further Education Funding Council in England.

Hartop, who is 51, will take up the post on March 7. He has the job of implementing the agency's new slimmer structure, announced by David Rowe-Beddoe, the chairman, in

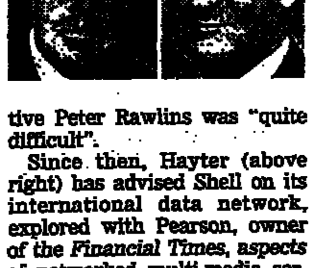
January. The agency is being revamped into three regional divisions plus the international division, with a target date for completion of October. In the meantime, about 70 of the agency's 420 jobs will be lost.

"Wales's success in attracting inward investment is second to none," Hartop says. "I want to ensure that not only is the WDA well placed to build on and continue this success, but also that it focuses on stimulating indigenous business growth."

Hartop became Gestetner's managing director in 1989, after 24 years with Unilever. From 1983 until he joined Gestetner, he was chairman and managing director of Lever Industrial. Since 1992, he has been working as a consultant with City venture capital funds.

According to Rowe-Beddoe, who appointed Hartop with the approval of John Redwood, Welsh secretary: "Barry Hartop brings a wealth of management expertise, gleaned in world-class organisations."

Hayter connects to Unipalm



George Hayter, who has turned his hand to a broad range of information technology-related consultancy work since he left the London Stock Exchange in 1990, has become a non-executive director and deputy chairman of Unipalm, the connective software and service suppliers that is seeking a listing in about a month's time.

"This company is the leading UK operator of Internet [a global computer network] and Internet development is on the verge of lift-off," is how Hayter, 55, explains his interest.

He says he was introduced to Unipalm by 3i, who in turn knew him from cable accessories manufacturer Critchley where he is also on the board. Critchley was floated at the end of 1992.

Hayter is doing some additional advisory work for the company, keeping him busy seven or eight days a month. He says he wanted to go on the board, rather than merely act as a consultant, because he was interested in a longer term relationship with the company.

His last job at the stock exchange had been as managing director of the trading markets division, and he describes his leaving as "the best thing that ever happened to me", adding that his last year working under the then chief executive Peter Rawlins was "quite difficult".

Since then, Hayter (above right) has advised Shell on its international data network, explored with Pearson, owner of the *Financial Times*, aspects of networked multi-media services, and been engaged in projects for stock exchanges in France, Hungary Switzerland and Germany. His other non-executive posts include Cognotec, the foreign exchange information and trading house, and Synergo, a supplier of software to stockbrokers and fund managers. He is also an advisory board member of Bankinter in Madrid.

UBS gets Carter

When Chris Carter (above left) took the call from the headhunters looking for a new head of global equity strategy for UBS, he says he thought long and hard before even agreeing to an interview.

That was not just because the research division at the Swiss bank's London investment arm had been in a state of some upheaval, but also because the jump from what he describes as the "relatively secure" world of fund management, where he has spent his career, to that of stockbroking research, is a big one.

"Fund managers are always critical of broker research material and if anything the strategists get even more stick than the company analysts. So I decided to take up the challenge of designing a product with which fund managers could not find fault."

Carter, 34, comes from Cigna International Investment Advisors, the international arm of the fund management operation of the US insurance giant. There he had been head of international equities for a group with $6bn under management. Before 1991 he had spent nine years with Bank of America Investment Management and then World Invest, the management buy-out of the BoA operation.

He replaces Guy Rigden who is currently writing a business plan for UBS's push into the modish field of emerging markets preparatory to heading up the equity emerging markets division.

■ **Stephen Maran**, chief executive of Lloyds Abbey Life, has been appointed to the board of LLOYDS BANK.

■ **Joe McLeod**, formerly European insurance banking director at Barclays Bank, has been appointed vice president and head of European insurance banking at BANKERS TRUST.

■ **Colin Lawrence** has been appointed head of market risk management at BZW; he moves from UBS.

Bodies politic

■ **Geoff Lindey**, head of UK institutional investment management at J.P. Morgan Investment Management, has been elected chairman of the Investment Committee of the NATIONAL ASSOCIATION OF PENSION FUNDS.

■ **Howell Harris Hughes**, md and deputy chairman of Cantrade Investment Management, has been appointed to the OCCUPATIONAL PENSIONS BOARD.

■ ***Sir Brian Hill***, retired chairman of Higgs & Hill, has been appointed a member of the board of the LONDON DOCKLANDS DEVELOPMENT CORPORATION.

■ **Bob Moore**, former Birmingham area director of Lloyds Bank, has been appointed chief executive of BIRMINGHAM CHAMBER OF COMMERCE.

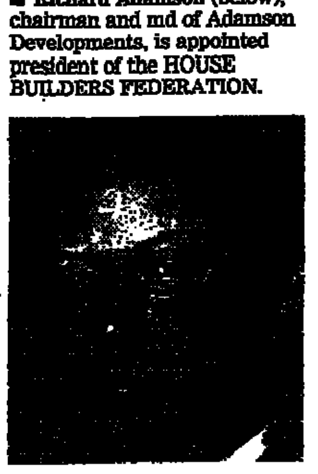
■ **Pino Ferrara**, general manager of Cariplo, has been appointed chairman of the ASSOCIATION OF INTERNATIONAL SAVINGS BANKS IN LONDON.

■ **Andrew Barker**, a director of Foreign & Colonial Management, has been elected a deputy chairman of the ASSOCIATION OF INVESTMENT TRUST COMPANIES.

■ **Philip Zeigler**, a former publisher with Collins and and *chairman of the London* Library, has been appointed chairman of the PUBLIC LENDING RIGHT Advisory Committee.

■ **Nick Temple**, chief executive of IBM UK, has been appointed chairman of ACTION: EMPLOYEES IN THE COMMUNITY created from the merger of Action Resource Centre and Business in the Community; he also becomes deputy chairman of BITC.

■ **Richard Adamson** (below), chairman and md of Adamson Developments, is appointed president of the HOUSE BUILDERS FEDERATION.



CAN EUROPE COMPETE?

FINANCIAL TIMES POLL

An elusive corporate consensus

By David Marsh

European economies are becoming more integrated, but European business leaders remain a highly diverse breed. Today's continent-wide opinion poll for the FT and five other European newspapers shows marked differences in attitudes to the continent's economic challenges.

The continent seems to divide along north-south lines. Executives in the UK, Germany and the Netherlands generally favour free-market solutions to Europe's competitiveness difficulties, while those in France and Spain lean towards solutions involving government action – including a sharpening of protection against imports.

The northern countries – above all, Britain and Germany – are more doubtful about possibilities for economic and monetary union and about the benefits of the European single market. The larger companies surveyed view monetary union with most scepticism.

On the basic question of whether Europe will remain competitive during the next 10 years, the Dutch, Belgians and British have the lowest expectations, with 50 per cent, 45 per cent and 42 per cent respectively saying they believe Europe will slip behind. There is a general consensus that the countries posing the main competitive problems are the "tiger" economies in east Asia. For the UK and France, China is seen as a much greater long-term economic threat than the US or Japan. Among British executives, for instance, 54 per cent say China is the "greatest threat", while only 24 per cent and 12 per cent hold this view of Japan and the US respectively.

Countries closer to the nascent market economies of eastern Europe take a more serious view of competition from this region. German, Belgian and Dutch business leaders see eastern Europe as a graver challenge than China, Japan or the US.

Forty-three per cent of Belgian respondents see eastern Europe as a serious threat, with 40 per cent of those in the Netherlands and 26 per cent in Germany taking this view.

German and British companies are considered most likely to succeed in cutting production costs and increasing competitiveness during the next five years. Spain and France are generally expected to fare less well.

However, underlying doubts about the German economy are highlighted by a significant minority of respondents – 23 per cent – who believe Germany will achieve the least success in cost-pruning.

Forty-one per cent of respondents believe Germany will fare best at reducing costs, with this view most widely held among German, Spanish and Dutch executives.

The UK is regarded as the next most successful cost-cutter, with 21 per cent of executives supporting this view.

German, Belgian and Spanish participants are most confident that Europe's worst recession since 1975 will give way to modest economic recovery this year – a view held by 78 per cent, 76 per cent and 71 per cent respectively in the three countries.

Even the relative optimists, however, mainly believe that this year's growth in EU countries will be below 1 per cent.

In line with diminished growth prospects, 45 per cent of respondents say they will reduce their workforces this year, with only 10 per cent expecting an increase and 44 per cent intending to keep staff unchanged. Fifty two per cent of manufacturing companies plan job cuts, while the proportion in service industries is only 33 per cent. The proportion of companies planning to reduce staff is highest in Germany (55 per cent), the Netherlands (50 per cent) and Belgium (48 per cent).

There are large differences on one of the most emotive questions in the poll – possible trade barriers against eastern Europe and Asia. Twenty-six per cent of French respondents favour higher trade barriers against imports, with only 17 per cent saying existing barriers should be lowered. But, in Britain and Germany, only 4 and 5 per cent want higher barriers, while 69 per cent and 62 per cent want to lower them. No Dutch industrialists surveyed favoured raising barriers, with 71 per cent saying they should be lowered.

Executives' commonly lack detailed knowledge of the Delors white paper on growth and competitiveness. Only 22 per cent say they are familiar with it; of these, 70 per cent say it is "fairly good" or "very good". Reaction is most positive in Germany, Italy and Spain, but more sceptical in Britain and France.

Business leaders display disappointment with the fading quality of national political leadership , as well as a lack of enthusiasm for EU institutions. Forty-one per cent say the quality of political leaders has deteriorated during the past 15 years, while 36 per cent say it has improved. In a solid vote against Chancellor Helmut Kohl, opinion is most negative in Germany, where 68 per cent say leadership has declined since the 1970s.

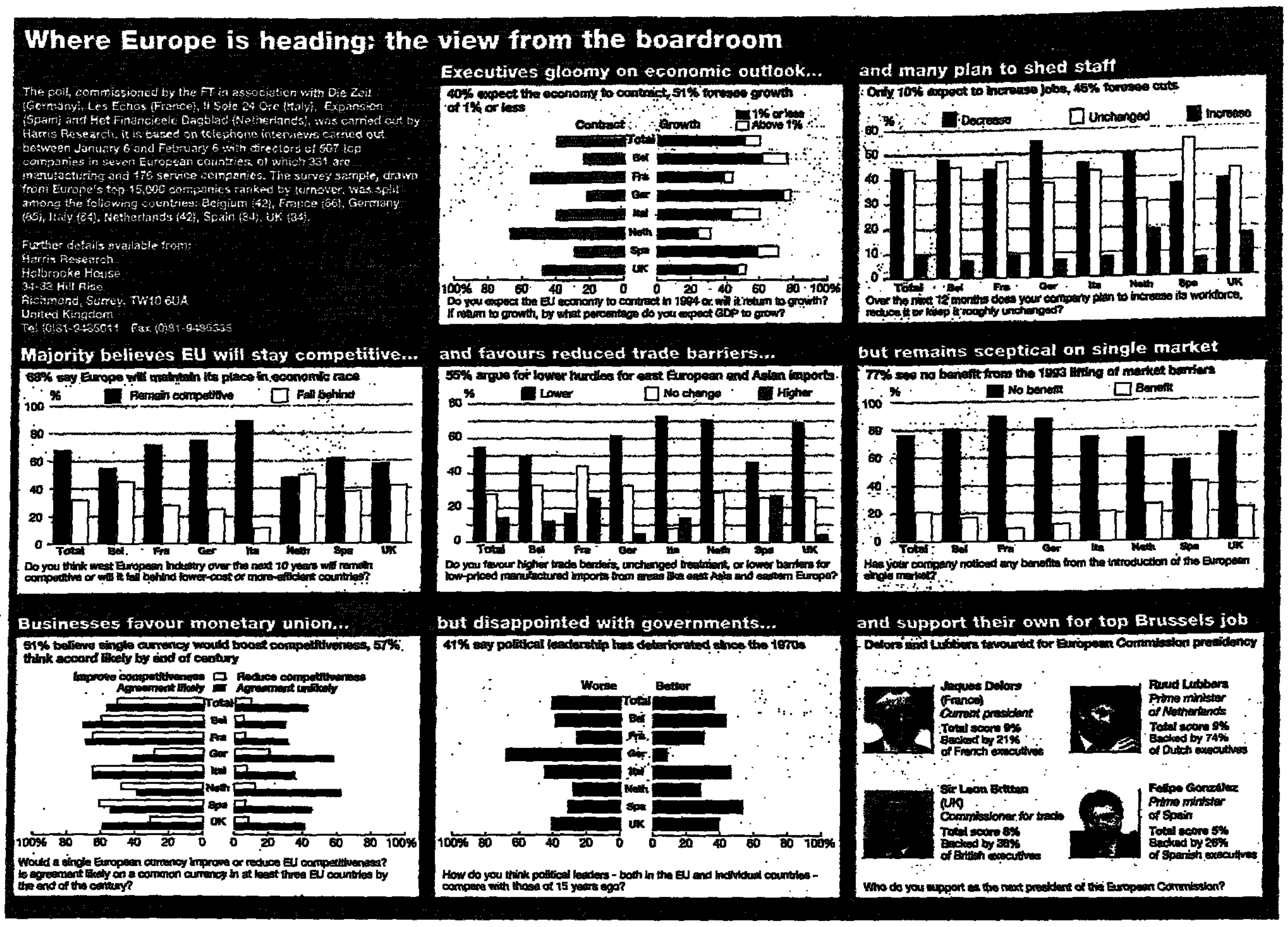
Nearly half of respondents say they do not know who they would like as the new president of the Commission next year. Buoyed by support from business leaders in their own countries, Mr Jacques Delors, the French president of the Commission – who has said he does not want to stand again – and Mr Ruud Lubbers, the Dutch prime minister, lead the poll, each with 9 per cent support.

Sir Leon Brittan, the commissioner for external economic relations, comes next with 8 per cent. Chancellor Helmut Kohl of Germany is favoured by an overall 2 per cent of respondents – but only one per cent of executives in his own country believe he would be right for the job.

Can Europe Compete?

This is the first instalment of a special 10-part FT series examining Europe's response to intensifying world-wide competition. Subsequent articles, appearing every weekday for the next fortnight, will look at:

- **Manufacturing.** How good are European workers and managers?
- **The Labour Market.** Why is Europe suffering from chronic unemployment and sluggish job creation?
- **Service Industries.** Can services create the jobs lost in manufacturing?
- **Technology and Innovation.** Is Europe being left behind in the global race for technological advantage?
- **The Environment.** Are green rules a burden or boon?
- **Financial markets.** Is Europe a world-beater in financial services?
- **The European market.** How complete is the single market? And what role can eastern Europe play?
- **Grey Europe.** Europe's population is ageing. What will this mean for business, the economy and the role of the state?
- **The Cure.** How companies, governments and employees can meet the challenge.



CAN EUROPE COMPETE?

The challenge

A relapse into Eurosclerosis

The European Union needs deregulation and radical public sector reform to avoid becoming an economic backwater, says Martin Wolf

A decade ago, Europe was afflicted by a fevered debate on its *poor economic performance*. The policy doctors decided the correct diagnosis was "Eurosclerosis"; their cure was completion of the single market, an idea subsequently incorporated into the Single European Act of 1987. For a time that remedy seemed effective. In the event, however, completion of the single market at the end of 1992 coincided with another recession and another bout of Europessimism.

This time, the European Union has devised the white paper on growth, competitiveness and employment put forward by the president of the Commission, Jacques Delors, last December. By previous standards, it is a modest document. It eschews Brussels-led legislation in favour of a menu of recommendations for macro-economic stability, modest spending on infrastructure and small dollops of labour market deregulation.

In the title of the white paper, "competitiveness" is inserted between "growth" and "employment". This is a little misleading. Overall, an economy *performs*, either well or badly: the notion of competitiveness is most relevant to sectors that are exposed to the international market, particularly manufactures.

Start then with aggregate performance. Until recently, the Japanese economy grew far faster than those of the US and the EU, whose growth was similar (see chart). By contrast, the overall employment and labour productivity performances of the US and EU presented mirror images of each other: between 1980 and 1992, employment grew by 18 per cent in the US, while labour productivity rose 12 per cent; meanwhile, employment in the EU grew by only 6 per cent, but labour productivity rose by 22 per cent. The EU's superior productivity growth was wasteful, however, since it coincided with rising unemployment.

The employment record of EU manufacturing is much the same as that of the US, both showing steep absolute declines. Thus the EU's jobs failure results from relatively poor employment generation in the more sheltered service activities. The central role of services in employment is inescapable, since by 1990 71 per cent of civilian employment in the US was generated by services, up from 56 per cent in 1960, while the proportion in the EU was 61 per cent, up from 39 per cent in 1960.

Within advanced economies developments in manufacturing have long had negative effects on employment, for two reasons: the volume of manufactured output has tended to rise no more rapidly than output as a whole; manufacturing also offers exceptionally favourable opportunities for increases in labour productivity.

The EU's chief overall failure has, in short, been its inability to create jobs. Economies with greater labour flexibility, such as the US, have generated more service sector jobs, many of them part time and many of them taken by women.

Turn next to international competitiveness. Some three-quarters of the total merchandise exports of EU member states consists of manufactures. World trade in commercial services was only $1,000bn in 1992, as against $3,640bn of merchandise trade, of which $2,650bn was in manufactures. Manufacturing activities are, therefore, much the most exposed to the forces of international competition.

The output of US manufactures between 1980 and 1992 rose twice as much as that of the EU, while Japan's rose far more. Output per person in EU manufacturing also rose less than in the US and Japan. This does not reflect an even performance throughout the EU. Between 1980 and 1989, according to the OECD, manufactured output per person rose only 15 per cent in West Germany and 29 per cent in France, but by 47 per cent in Italy and more than 50 per cent in the UK.

Meanwhile, the share of EU external manufactured exports in world exports shrank from 21.9 per cent in 1980 to 19.4 per cent in 1986 and then 17.6 per cent in 1992. The EU has also become more inward-looking: between 1986 and 1992, the share of its members' exports going to one another rose from 54.1 to 59.7 per cent.

One explanation for the poor performance of manufacturing exports must be the EU's relative emphasis on internal rather than external liberalisation. The EU has, in effect, been pursuing an import-substitution strategy, one favouring internal sales over exports.

A second explanation would be a mixture of inadequate innovation with an unfavourable industrial structure.

Magnus Blomström, a Swedish economist, notes that in 1987 the research and development intensity of US exports of manufactures to the EU was almost twice as high as in its imports from the EU. He also labels 51 per cent of US exports of manufactures to the EU in that year "high technology", 29 per cent "medium technology" and just 20 per cent "low technology". By contrast, he found that 23 per cent of the EU's exports to the US were high technology, 44 per cent were medium technology and 33 per cent were low technology.

By specialising in goods that lack dynamic world markets or technological sophistication, European industry would be increasingly exposed to competition based on price. EU production is, in fact, already subject to growing competition from East Asian exporters of labour-intensive, medium- and low-technology manufactures. Thus, between 1981 and 1991 the volume of exports from east Asian developing countries, mainly of manufactures, grew at 10.3 per cent a year, while the EU's grew at only 4.1 per cent. Their pressure can only increase.

An American economist, Larry Franko, has shown that between 1980 and 1990 the share of large EU companies improved modestly relative to their peers in the other big advanced economies in production of chemicals, consumer goods, pharmaceuticals and petroleum products. Of these, only pharmaceuticals has been a particularly dynamic industry. By contrast, European companies barely maintained their position in motor vehicles, electrical equipment and electronics, despite protection of the European market. Worse, their share of the world's 12 largest companies' output remained stuck at a negligible 7 per cent in computers and office equipment, the most dynamic of all manufacturing industries.

A third explanation for both poor export performance and slow growth of output is the high level and adverse development of EU costs.

According to figures from Morgan Stanley and DRI McGraw-Hill, 1993 labour costs per hour in the EU's most important economy, west Germany, were some 50 per cent higher than those of the US and Japan. Even labour costs per hour in east Germany were higher than in the US and Japan, while those of France were close to US and Japanese levels. Yet OECD statistics suggest that productivity per hour in US manufacturing is still about a third higher than in the most advanced economies of continental Europe.

In addition, leading European currencies have experienced substantial real appreciations *vis à vis* the US dollar since the early 1970s. The US dollar's appreciation between 1979 and 1985 was but a blip in this trend. Other European currencies have suffered the same fate as the D-Mark, particularly the pound sterling, whose real appreciation since 1970 has been the biggest of the major European currencies.

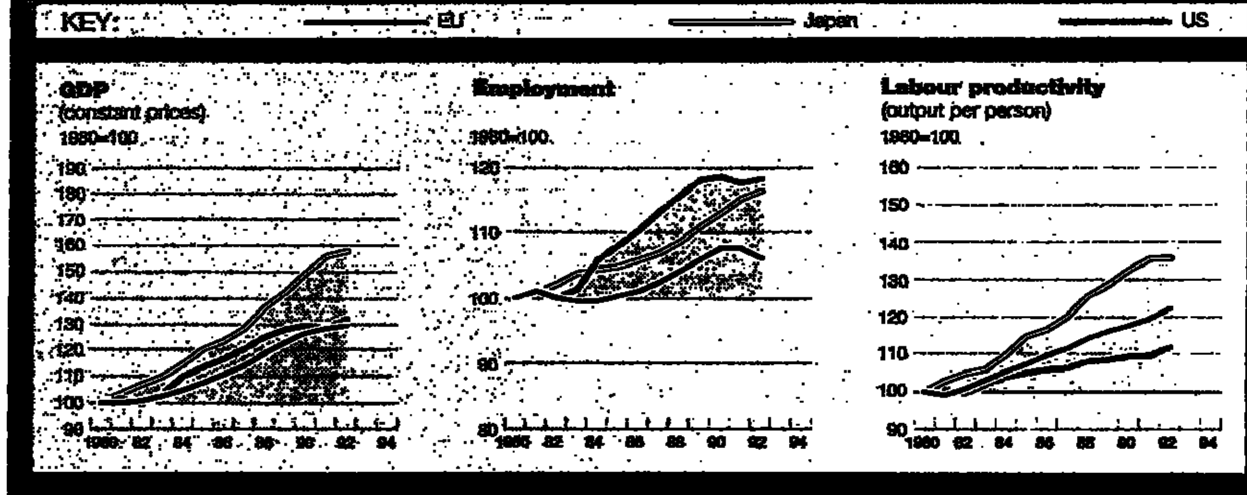
The last major issue is whether there is a link between the EU's poor overall employment generation, on the one hand, and the weak performance of manufacturing, the sector most exposed to global competition, on the other. There is: high labour costs. If domestic costs are pushed progressively above market-clearing levels, employment will shrink, or at least not rise as fast as could be hoped, since capital will be substituted for labour. In addition, the industries most exposed to international competition should lag behind the rest of the economy, as profits are squeezed. Both have happened in the EU.

Between 1980 and 1992 US average real wages (before direct taxes) fell by about 8 per cent. Over the same period, however, British real wages rose by 36 per cent, German by 22 per cent, Italian by 14 per cent and French by 13 per cent. It is easy to see why Americans voted for a candidate who promised them more 'good jobs'. Yet it is also easy to see why the EU has generated few jobs and its internationally competing industries have struggled.

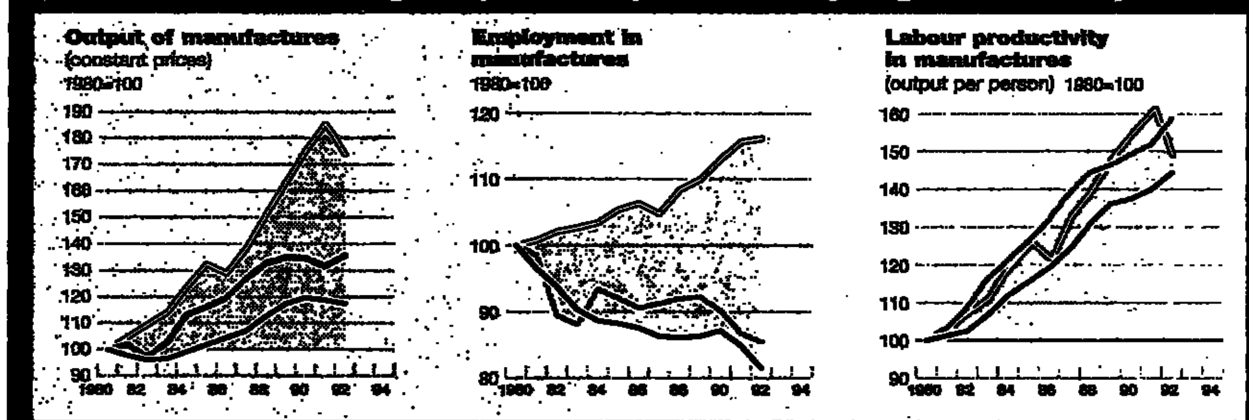
Three explanations might be advanced for the EU's high and rising labour costs in the presence of growing unemployment: first, inadequate competition, particularly for the output of its service industries; second, legislation intended to give security to workers, which reduces the competitive pressure from outsiders on insiders; finally, the relatively high burden of taxation and particularly of direct charges on labour, which European workers have been unwilling to absorb in their take home pay.

The solution to the twin problems of poor employment creation and inadequate competitiveness lies in greater competition, labour market deregulation and radical reform of the public sector. If such changes are ruled out as politically unrealistic, reality will have its revenge. Eurosclerosis will become permanent and the European Union eventually a backwater in the global economy.

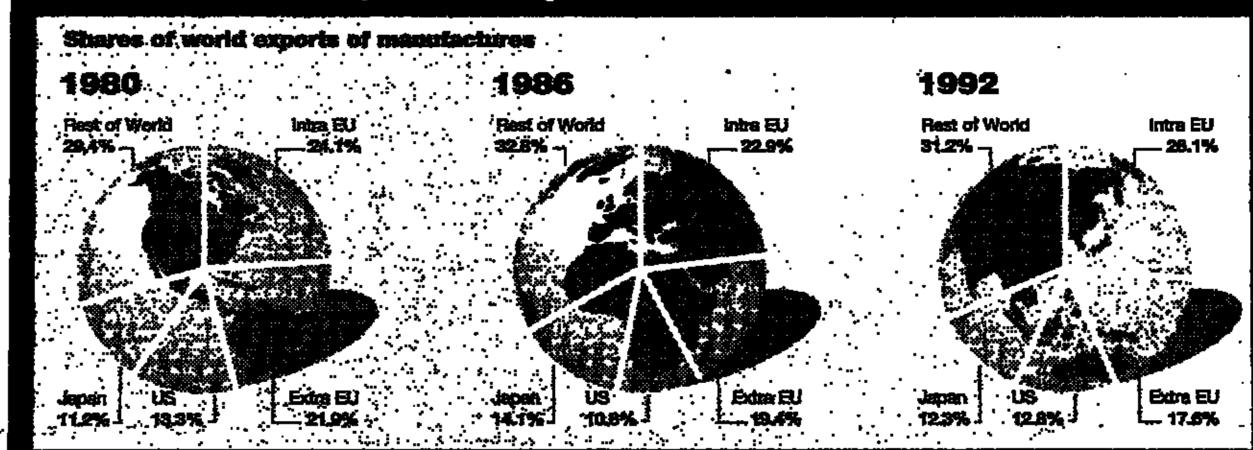
European Union's GDP performs better than employment...



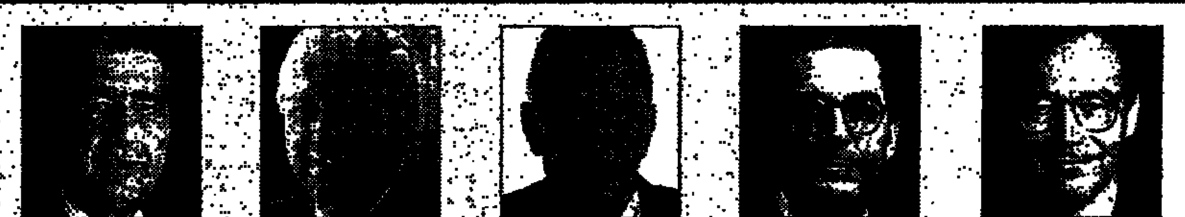
...but manufacturing output and productivity lag US and Japan...



...as its external exports lose global market share



What the industrialists think



Carlo De Benedetti, *Chairman of Italy's Olivetti computer group*: "European politicians must make greater efforts to understand where the world is going, rather than just concentrate on their own little gardens. They must recognise the importance of China. They must see that the upturn in many American industries has come not just because of cyclical recovery, but because of deeper structural changes."

Sir Denys Henderson, *Chairman of Britain's ICI /Zeneca chemicals & pharmaceuticals group*: "A general problem is the excess of regulations stultifying industry. If we cannot fight our corner with the US and competitors in the Far East, Europe will be in severe trouble. There has been a steep change recently among companies in continental Europe. They realise they are not competitive when social charges add 80 to 90 per cent to wage costs."

Tyll Necker, *Chairman of Hako-Werke & president of Federation of German Industry*: "Everywhere – particularly in France and Germany – the public sector's share of the economy is too high. We need further support for innovation: in some fields, such as genetic engineering in Germany, there are still far too many hindrances. We also need to do more in the field of education and a general overhaul of social security systems is what is required."

Eberhard von Koerber, *Chairman of European side of Swiss-Swedish ABB engineering group*: "We will all have to go through a severe crisis – not so much in the UK, more in places like Spain and Germany. Even with improved economic growth, we will experience higher structural unemployment throughout Europe. Without this pressure of pain, Europe will not react in the correct way. The structural crisis we are facing is in fact a unique opportunity."

Noël Goutard, *Chairman of French motor components maker Valeo*: "We need to cut interest rates. The French franc's attachment to the D-Mark has caused horrible unemployment. I do not see any usefulness in the idea of monetary union, which is anyway utopian. Europe has to face up to an increasingly hispanic North America, and from countries like China and India that now have freed their reserves of expression and imagination."

Sources: Gatt, OECD, Datastream

Sunderland's torch of hope – or is it a flare of doom?

CASE STUDY: Nissan

When competition bites, Europeans can adjust their attitudes. Management at Nissan's UK car plant aims to outdo the Japanese. David Marsh reports

For optimists seeking signs of revival in run-down north-east England, the Nissan motor company's car factory on the outskirts of Sunderland symbolises Britain's new manufacturing prowess. For rivals like Peugeot or Ford of Europe, the Nissan plant is an instrument of Japanese power, brought into the bastion of the European Union to undermine the continent's indigenous car companies. Whatever the ultimate verdict on Nissan's £900m Sunderland plant, it potently illustrates the mood of change and challenge sweeping Europe.

The precepts put into effect at Nissan demonstrate that, when competition bites, European managers and workers can radically adjust practices and attitudes. In an increasingly integrated world, foreign ownership is no bar to economic accomplishment. Nissan last year was Britain's biggest motor exporter, selling abroad 75 per cent of output.

Clad in a bright blue production uniform, Mr Ian Gibson, 47, managing director of Nissan's UK operations, joined the company in 1984 after 16 years with Ford in Britain and Germany.

Expounding how the UK must learn from Germany and Japan – "the two great manufacturing nations" – he says the watchwords of the roughly 4,000-strong workforce are flexibility, perfectionism and determination.

The plant came on stream in 1986. It was the right moment to benefit from labour market deregulation in Thatcherite Britain and the country's late-1980s economic boom. Japanese capital, technology and work methods, twinned with British pragmatism and a brand new greenfield site, proved a winning combination.

"We were a pilot enterprise," says Mr Gibson. "We had no existing bureaucracy or [corporate] culture to change." Now, he says, productivity equals that of comparably-sized Japanese plants.

Lean production, by definition, cannot provide jobs for tens of thousands. The company hires for its production teams – average age 23 or 24 – only those who show Nissan-style commitment.

Furthermore, Nissan is now showing it is as vulnerable to the economic cycle as General Motors or Volkswagen.

Nissan is cutting about 600 jobs through voluntary redundancies, introduced to adapt production to reduced 1993-94 European car demand. This year's output will be between 200,000 and 220,000 Primera and Micra cars, compared with 246,000 last year.

Sunderland's unemployment rate, meanwhile, is 13 per cent. When Nissan launched its last recruitment drive, two years ago, 32,000 people applied for 1,600 jobs.

Sunderland's dire employment picture adds point to Mr Gibson's view that there are no short cuts along the gritty road to success.

He takes pride in the plant's efforts to exceed Japanese quality standards. "Our biggest competitor is not Ford or Renault. It is Nissan Japan."

Pointing to Sunderland's links with European component suppliers, as well as engineers and designers at Nissan research facilities in the UK and on the European mainland, he plays down the influence of its Japanese parent.

"We have been given no magic gift, no secret passport. We have assembled a collection of best practices where the most important questions are not technical or mechanical, but broader management issues: how to organise people and things so that manufacturing runs well... People's approach and attitude are more important than technical skills."

In the crucial question of new car development, Mr Gibson even sees room for self-sufficiency. "If our team of British and European engineers and suppliers was to leave the company tomorrow, we couldn't build a new car. If the Japanese left, it would take 18 months longer – but we could do it."

Brave words, posing a question than only the brave can answer: Could north-east England's dark industrial fields one day raise a Japanese manufacturing culture, without the Japanese?

Why a buoyant US and Asia pity poor old listless Europe

The view from outside

By William Dawkins, Martin Dickson, and John Burton

Europe's flagging prowess prompts surprise, criticism and – worst of all – pity from business leaders in the US and Asia. Many American executives, basking in their country's economic revival, are scathing about the Old World's inability to find the path back to growth.

Although corporate Japan is preoccupied by the country's own recession, its representatives wonder aloud about Europe's capacity to solve its problems. Elsewhere, in east Asia's booming "tiger" economies, industrialists say bluntly that Europe will slip further in the competitiveness league unless it adopts more free market medicine.

Many US executives attribute their country's economic recovery to the creative energy of American capitalism. They view Europe, by contrast, as a soft, sclerotic society, addicted to subsidies, welfare hand-outs and long holidays.

"Painful as it must be, Europe needs to celebrate change," says Mr Tom Theobald, chairman of Continental Bank. "Some wonderful cultural and societal values are bottled up in European tradition, but the communication and transportation revolution no longers allows the continent to be walled off from world competititors. Change is frightening, even in America, but Europe must master the art."

Americans acknowledge that, in sectors such as power generation equipment, chemicals and retailing, Europe remains competitive. However, Europe is regarded as lagging badly in many important high technology industries, including computer hardware and software, data networking, and multi-media telephony and entertainment.

One top executive at a leading US electronics group says most American companies know relatively little about European companies because so few of them are good enough to set standards in their individual sectors. European volume motor manufacturers, for years protected from Japanese competition, are regarded as well behind the European operations of Ford and General Motors in productivity and cost-cutting.

Americans point to recent decisions by Germany's BMW and Mercedes-Benz to locate new factories in the southern US. This shows, they say, how European industry is trying to escape high domestic costs by moving abroad.

Japanese executives these days pay less attention to Europe, reflecting a shift in Japan's investment priorities to China and other parts of Asia. Additionally, BMW's surprise move to buy 80 per cent of Rover, the UK motor company in which Honda holds a 20 per cent stake, has reminded Japanese businessmen of the differences in corporate culture between Europe and Asia. Mr Toyoo Gyoten, chairman of the Bank of Tokyo, says Europe faces "multiple challenges" as a result of "dangerously high" unemployment and post-cold war uncertainties. Mr Gyoten says an important priority is "to complete the reunification of Germany as soon as possible."

"United Germany is bound to play the role of an anchor in the economic and political stability of Europe. However, it didn't take much time for our German friends to discover that the task of unification was indeed a daunting one."

Mr Gyoten adds that the collapse of the European Monetary System has "maimed" momentum towards economic integration. Europe will remain a federation of nation states, he says. "Convergence of economic fundamentals must come first before artificial institutionalisation [of European union.]"

The most outspoken advocacy of free market solutions comes from South Korea. Mr Bae Soonhoon, president of Daewoo Electronics, says: "The solution to the European malaise is simple: give Adam Smith as much chance to work as possible. Remove the paternalistic protection given to industry and workers, which in many cases is neither wanted or needed.

"Europeans must recognise that today's comforts have been made possible by the industriousness of their forefathers, and the value of hard work must be relearned from them."

Mr SaKong Il, a former South Korean finance minister and president of the Institute for Global Economics in Seoul, says Europe has lost its sense of priorities. "It has been devoting too much time and energy to political integration. It has not paid enough attention to unemployment and other social problems. These are now the issues – and they cannot be remedied by quick-fix solutions."

MANAGEMENT: MARKETING AND ADVERTISING

Hugh Aldersey-Williams on a city selling itself as a product

Brand new Birmingham

The unveiling this week by the City of Birmingham of a new "corporate" identity raises the question: how much is a city like a company? Birmingham City Council, which represents more citizens in one body than any other city in Britain, is the latest to adopt a brand symbol as a focus for its promotional activities.

"Birmingham is a product. It is capable of being 'branded', just as Cadbury brands its chocolate products," according to the Birmingham Marketing Partnership, the organisation behind the new logo. But cities are not chocolates: they have real and complex cultural identities.

Nevertheless, according to Adrian Day of Siegel and Gale, the consultants responsible for the new symbol. "The marketing of cities as brands is coming to the fore." In the past, a city council marketing director would earn far less than a counterpart in industry, an indication of the traditional amateurism of civic promotion. Now, commercial methods and salaries to match are emerging. The phenomenon is especially noticeable in regional centres.

Behind the new promotional drive is Birmingham Marketing Partnership, a coalition of public- and private-sector resources set up by the Labour-controlled council last summer. "Past efforts to market Birmingham were very fragmented," says Philip Calcutt, the partnership's marketing director. "We are trying to bring some coherence." Most big businesses in the Birmingham area support the new city brand, says Calcutt. The challenge now is to persuade smaller companies to use it – and use it correctly.

The implementation of a new corporate identity for a company can be tightly controlled in a way that is not possible with a city brand, and opinions differ as to how to get the best results in such cases. The I♥NY symbol created by graphic designer Milton Glaser for the City of New York in 1976 was deliberately not protected. Anybody could use it – or misuse it. An alternative is for imprimaturs of a country, region or city to be awarded by accreditation to comparatively few traders who can be relied upon to use it properly and thus enhance the brand.

Birmingham has chosen a middle course. It hoped to persuade many of the small businesses at the unveiling at the International Convention Centre on Tuesday to adopt the symbol in their advertising and literature. "The broader its application, the better," says Calcutt. The symbol is to be registered as a trade mark, however, and users will have to apply the usage guidelines prepared by Siegel and Gale to ensure that it is displayed to best effect.

Birmingham Marketing Partnership's future role will be to co-ordinate projects originated by partners such as the National Exhibition Centre or the West Midlands Development Agency. For example, travellers to Birmingham for sports championships or exhibitions receive "VIP passports" entitling them to special offers in restaurants and other facilities. Such a scheme appears simple, but requires overall co-ordination.

The architecture of Birmingham's NEC, the International Conference Centre and Symphony Hall may not compare with the splendours of, say, Barcelona or Lyon – two other "second" cities which have a brand symbol. But Birmingham Marketing Partnership and Siegel and Gale agree that without the cultural and commercial qualities of Birmingham, the creation of the brand would have been a waste of time. "They realised they had the product: now they've got the expression of it," says Day.

From sad salami to "a bit of an animal": Peperami's £2m campaign was the main factor in a 35 per cent rise in sales volume

Gambling on a gut-feeling

Diane Summers explains why spending substantial amounts on advertising is not always easy to justify

Peperami is a bit of an animal, but it has not always been that way. It started as a rather sad salami stick with sluggish sales; by 1989 the savory snack had almost died completely, when it was withdrawn in its old formulation because of a salmonella scare.

Then, last year, advertising agency Still Price Lintas produced a £2m advertising campaign for Peperami's manufacturer, Unilever subsidiary Van den Bergh Foods. An animated Peperami popped up on UK TV screens, together with the catchphrase: "It's a bit of an animal." Which bit was not specified, but the character got the attention of audiences, particularly the young males at which the manufacturers were aiming the product.

The advertisements were followed by a 35 per cent cent increase in the volume of sales, and in 1993 the retail value of the brand reached £22.5m in the UK. A second set of ads, featuring the same animated salami on legs, is due to start in just over a week.

Justifying the expense of a second advertising campaign will hardly have been difficult for Simon Turner, Van den Bergh's marketing director. He estimates that the first campaign accounted for at least a 25 per cent increase in sales: the other 10 per cent would have come from changes in distribution and the way the product was displayed.

But for other marketers, who are only too aware of the way finance directors tend to lop budgets during a recession, it is not always so straightforward to develop a convincing case for spending money on advertising. Evaluating its effectiveness is not always easy and there are still clients, as well as agencies, who rely on instinct and a prayer.

Says Janet Hull, director of advertising effectiveness at the Institute of Practitioners in Advertising: "All of us know cases where gut-feel has ruled." The IPA is planning an education campaign intended to increase the agencies' and clients' sophistication in this area.

Hull emphasises that it is vital to establish what is being measured from the outset. For example, the advertising of a new product would be expected to lead to a sharp increase in trial by consumers; for a well-established brand, the aim might be to bring it up to date or broaden its reach; for a mature brand, success might be limited to slowing the rate of decline.

An illustration of how advertising can add value to a new product is provided by the campaign surrounding the launch of the Volkswagen Golf Mark II in 1984. The usual cycle of car launches is that a new model – unless it is truly innovative – has an advantage in the market for, at most, about three years and is then superseded by another maker's new model.

Volkswagen's aim with the Golf Mark II was to use advertising to extend this initial advantage beyond the three-year mark. It had to do this without the bonus of the new car being particularly innovative – indeed, the motoring press expressed disappointment that the new model was so conservative.

Following two highly-acclaimed ads by agency BMP DDB Needham, which ran in eight bursts on television between 1985 and 1989, market share did, indeed, carry on increasing for six years, dipping in the seventh because of supply problems. The ads, explains BMP DDB Needham, were centred on the driver of the car, rather than the car itself, "breaking the product-focused rules of the market".

According to VW, an advertising outlay of £10.9m during 1985-89 produced extra sales of nearly 37,000 cars and additional gross profit of about £30m. Research confirms that these extra sales did not result from lower prices, lack of competition or improved distribution.

The case for the part advertising had to play in the sustained sales of the car was set out in 1992 in a prize-winning submission for the biennial advertising effectiveness awards, which are run by the IPA, though largely judged by representatives of industry. The closing date for this year's awards is June 1 – Van den Bergh and Still Price Lintas plan to enter Peperami.

The overall winner of the 1992 awards was another campaign by BMP DDB Needham, this time for the National Diary Council which was trying to slow down the sharp decline in demand for doorstep deliveries of milk. The success of the campaign demonstrated the potential effectiveness of advertising when a mature market finds itself under pressure.

In 1980, nearly 90 per cent of households had milk delivered; just 10 years later, social and demographic changes, but most of all, fierce price competition from supermarkets, forced the figure down to 69 per cent. Milk deliveries were losing 1m customers a year and it was estimated that, if the trend continued, there would be nothing left of the market within 12 years.

The advertising agency rejected the idea of trying to recruit new customers and concentrated instead on those who were on the brink of cancelling deliveries. The beginning of the slippery slope towards cancellation was found to be the point when consumers started to buy some of their milk, perhaps at the weekend, from the supermarket. These consumers were targeted with TV ads which focused on the convenience of having milk delivered, rather than carting it home.

From January 1990 to April 1991, the milkman's share of the market declined at an average of 0.43 per cent share points per months; from May to December 1991, which coincided with the advertising campaign, there was a decline of just 0.01 percentage points. It was established that no other factors were behind the stabilisation in sales.

The judges of the effectiveness awards concluded: "Whatever the future for home delivery, the advertising monies spent to date by the industry have been paid back handsomely." As Hull points out, marketing directors armed with this proof – only possible to provide when measures of effectiveness are built in to a campaign – will be the best-equipped to fend off the finance director when times are tough.

Good ad for the industry

Saatchi & Saatchi, the beleaguered advertising agency, can take some comfort from figures due to be published tomorrow in Campaign, the advertising industry journal.

Saatchi has lengthened its lead over all other UK agencies, with a 16 per cent increase in billings for 1993. This appears to have been achieved at the same time as a 3 per cent cut in staffing.

Unfortunately this performance is not matched by the agency in the US, where Charles Scott, chief executive of the group, is wrestling with the structure and attempting to attract new business. Just days ago it was disclosed that Bob Kennedy, the former US Saatchi chief, had received a £4m pay-off after just a year in the job.

Overall, the Campaign figures show significantly higher billings for the top UK agencies, reflecting, says the journal, advertisers' growing confidence in the economic recovery. The increase, as measured by the Register-Meal tracking group, was 11 per cent during the year.

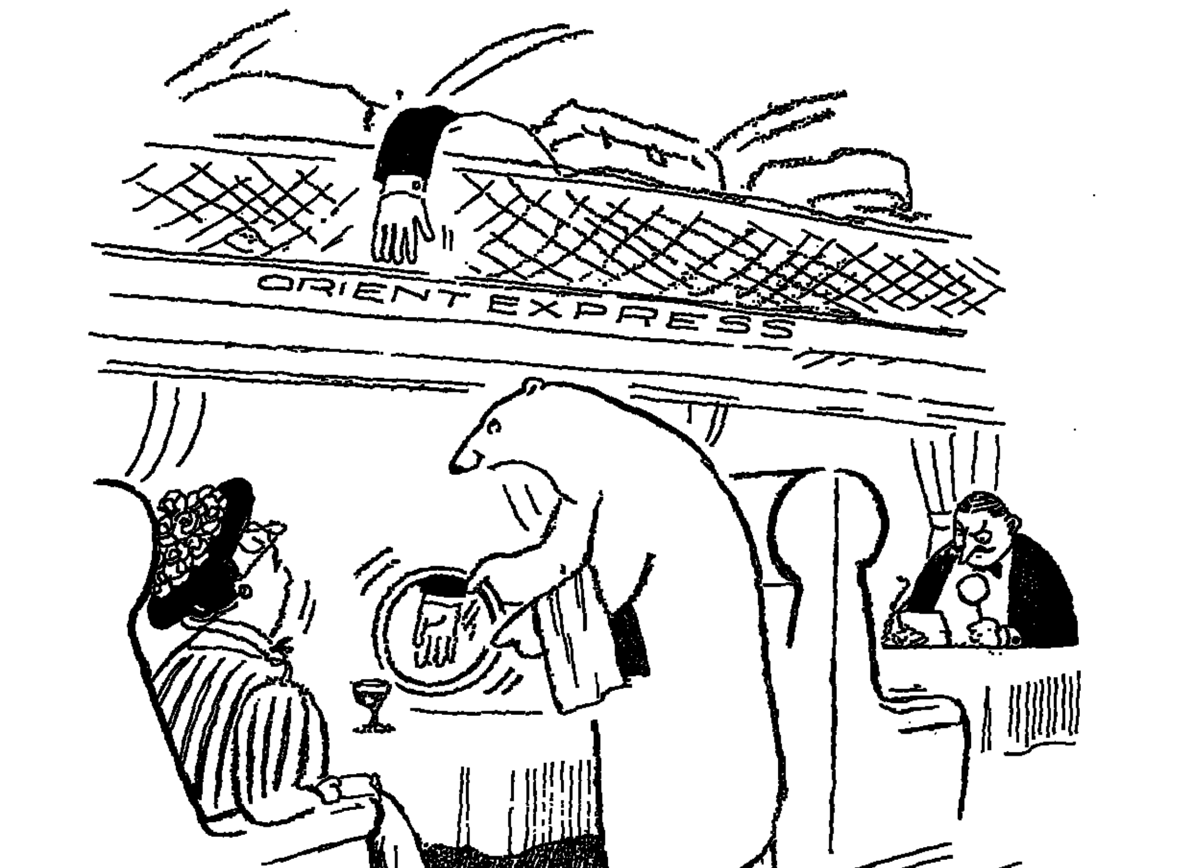
In second place, behind Saatchi's £264m of billings, comes Ogilvy and Mather, part of the WPP group, with a 6 per cent increase to £197m. J Walter Thompson, also part of WPP, slipped this year from second to third place in the billings league, with £185m – a 5 per cent drop on 1992.

Abbott Mead Vickers climbed from eighth to fourth position, with a 28 per cent increase to £180m.

Other strong performances during the year were from Kevin Morley Group (up 51 per cent); Butterfield Day Devito Hockney (up 75 per cent); and Howell Henry Chaldecott Lury (up 72 per cent).

Saatchi was not the only agency to achieve a productivity increase last year: across the top 30 agencies, productivity increased by 15 per cent from billings per head of £520,000 in 1992 to £597,000 last year.

Diane Summers



Theatre

Wesker's 'Kitchen'

"If you can't stand the heat, stay out of the kitchen." On the other hand, President Truman's motto always seemed like an invitation to get into the thick of it; so it is with Stephen Daldry's magnificent revival of Arnold Wesker's play at the Royal Court.

Even the theatre has been transformed. Part of the audience sits on what used to be the stage. The huge kitchen is placed in what was once the front stalls. Excitement rises on the moment of entry.

The Kitchen, first performed without decor at the Court in 1959 and then in its present full-length version in 1961, can be seen on several levels. First, it is a piece of triumphant theatricality: a cast of 28, bitching, quarrelling, joking, loving, occasionally running amok but usually getting on with the job of dishing up meals for a busy London restaurant.

No food is served; even Wesker recognised that cooking on stage would be impractical. All that is mimed. For the rest, all the implements are there and all the staff in their strange hierarchy: kitchen porters, waitresses running in and out, pastry cooks, the chef and sometimes the restaurateur. The production is worth seeing for this versatility alone.

The interchanges never stop, even when lunch-time demand is at its peak: an odd flirtation here, a social comment there, a few broken plates, yet somehow the service goes on. Watch, for example, the riveting performance by the perpetually smoking Annette Badland in the minor part of Bertha, a vegetable cook. I single her out partly because, in this theatre in the round, she worked close to where I sat: if the other small players are anything like as good, the production is even better than I have suggested.

The surprise is that the underlying symbolism remains effective. It works because it is unobtrusive. The other meaning of the kitchen ovens is clear without being stressed. A dark-looking Cypriot called Gaston in the kitchen quarrels with one of the Germans, but they more or less patch it up. More strikingly, the German Peter – the boiled fish chef and the main character in the piece, played by Christopher Fulford – makes it up with the Jew.

There is an Irishman called Kevin (Dermot Kerrigan) who works on fried fish and an English tramp (Sam Beazley) openly borrowed from Harold Pinter's *The Caretaker*. All these characters act together: all have dreams, like Michael the hamburger chef who imagines the football score Leyton Orient 18, Arsenal nil.

The ageing restaurateur played by Ric Morgan makes his main appearance towards the end wondering what has gone wrong when the place blows up. He has paid high wages, done his best to serve his customers and is plainly Jewish. Yet nothing is rubbed in and there is no preaching. *The Kitchen* has stood the test of time: under Daldry's loving treatment it has matured. This is a very humane play.

Malcolm Rutherford

Tom Hanks as the Aids victim with his homophobic legal Galahad, Denzel Washington, in Jonathan Demme's 'Philadelphia'

Cinema/Nigel Andrews

A cruise into time-bomb territory

PHILADELPHIA (12)
Jonathan Demme

KAFKA (15)
Steven Soderbergh

COOL RUNNINGS (PG)
John Turteltaub

THE PELICAN BRIEF (12)
Alan J. Pakula

Is it good to be gay? For Britain, the sight of Hollywood and the House of Commons jumping on the same bandwagon in the same week must be the most startling – and/or stirring – of modern times. Westminster gives us a new age of consent: Tinseltown with *Philadelphia* gives us a new age of moviegoing awareness. And even Uncle Oscar has clambered on the zeitgeist, with a best actor nomination for the film's star Tom Hanks.

Hanks has this writer's vote. His believability as an Aids-ravaged, job-dismissed lawyer gives shape and measure to the film's at times flood-level sentimentalism. The first mainstream US movie ever to tackle Aids, *Philadelphia* is directed by Jonathan Demme as if he had been abducted by Gay Lib and forced to make amends for his *Silence Of The Lambs*. You recall that brouhaha: film pilloried by agit-gays right up to Oscar time for its picture of a (seemingly) homosexual serial killer.

Philadelphia takes a lawyer and crosses out "seemingly." Hanks's face already shows the tell-tale blots of Kaposi's Sarcoma when a job superior asks "What's that on your forehead, pal?" Hanks mutters something about squash balls, but we know better. He is losing weight; his gay friends are offering make-up tips ("Tahitian bronze" to hide the lesions); and the film is offering captions like "Nine days later" to stress that this *is* ticking time-bomb territory, where love and illness meet in a countdown to apocalypse.

While half our brain hardens itself to the threat of hyperbole, the other half senses something wonderful here. Ron Nyswaner's script plots the film as a legal suspense story, using courtroom scenes to resolve Hanks's unfair-dismissal suit against the firm that has soon pushed him off the payroll and torn up partnership promises. This is just the populist approach – what filmgoer resists a trial? – to capture all those gay-rights-resistant audiences in America's Bible belts or Britain's own bigotry zones.

Hanks's co-star Denzel Washington adds another twist to the plot. He is the radical black lawyer who agrees to be Hanks's legal Galahad, even though the one flaw in Mr W's liberalism is a tendency to homophobia. While we are turning to mush during Hanks's big self-revelation scene – a surreally-lit fantasia in which our tearful hero expounds the Maria Callas aria keening from his CD-player while he "dances" with his dripfeed stand – D.W. looks on with a blend of cautious scepticism and heterosexual high anxiety. (By the film's final fade, of course, he has resolved his problems and become as mushy as the rest of us).

To have made this character a black was a touch of genius. It means that Mr and Mrs Intolerant Filmgoer, if they want to make an anti-gay alliance with one of the film's characters, must do so with a member of another "minority" they might not be on kissing terms with. Only alternative: to side with the bigwig bigots (Jason Robards and Co) who spend the movie's second half pinned to their attorney's table while the camera frisks them for guilty reaction shots.

Philadelphia knows every trick and plays it. But it will still send all but the stoniest cineastes sniffling from the theatre. Its heart is in the right place and whatever else may be sorcery or special pleading, Hanks is the real thing: no sentimental martyr but a messy, plausible collage of rage, bewilderment, self-pity, resignation and gallows humour. That puckered baby face, that elastic voice with the built-in shrugs, preside over a convincingly wasted body: one from which Hanks shed 30 pounds for filming, in acting's most heroic dietary crash-course since De Niro went the other way in *Raging Bull*.

Philadelphia comes with a big, bold, bells-and-whistles subject. "Ah, an Aids movie!" – everyone can say it. But what is *Kafka*, the second film from director Steven (*sex, lies and videotape*) Soderbergh, about? Limping into London two years after it was made, this Prague-filmed fantasy about Franz K (Jeremy Irons) and the Gothic adventures he might have had if he had been a fictional character, chasing murderers, mutants and mad doctors, is like two hours on a free-association couch in the "K" section of the Great Literature library.

Screenwriter Lem Dobbs must have said "Kafka" to himself and then gone berserk at his mental word-processor. He gives us vast clickety-click offices; a pair of sinister twins; Theresa Russell as one of FK's standard-issue teasing heroines; Alec Guinness and Ian Holm as assorted authority figures; and a riot of cobbled streets, graveyards and beetling castles. What we do not have is a plot, unless you count the jumble of conspiracy shenanigans that climax somehow in a castle laboratory. Soderbergh and Dobbs may feel they must pay their dues to German Expressionism, but why should we pay to watch? We tire quickly – and a perplexed-looking Irons looks as if he tired even more quickly – of the in-joky names (Murnau, Orlok) and invocations of art gone-by.

Other choices this week are the non-pretentious *Cool Runnings* and the somnolently zigzagging *The Pelican Brief*. The first is all about the Jamaican bobsled team that made history when they competed at the 1988 Calgary winter Olympics. Four sun-black West Indians, played by actors whose names seem to have fallen off a Scrabble board, parlay their home-town sprinting and go-kart skills into the art of hurtling down snow chutes.

A film that might have been "inspirational" proves "inspired". Debut director John Turteltaub has a comic timing that Hollywood veterans might envy, and the script rattles around like a crowded bobsled risking sharp corners. Boldest touch of all was to cast fat and funny John Candy as the team's trainer, an ex-Gold Medal winner, and then to fill him with an sour, abrasive, world-weary wit worthy of Walter Matthau. A surprise; a delight.

Neither of those words suggests itself for *The Pelican Brief*. You remember the twists and thrills in the John Grisham-based *The Firm*? Repeat here, with diminished returns. Julia Roberts is the fledgeling lawyer who flies straight into a Giant Conspiracy, beginning with the murder of two Supreme Court justices. And the supporting characters are famous Hollywood names pushed unceremoniously into the victim or villain lobby – Sam Shepard, John Heard, Robert Culp – while the plot dashes through every picturesque power-corridor it can find, ending up at the White House.

The only character you believe in is Denzel Washington as Miss JR's newsman friend, flying out from *Philadelphia* to sketch in another sharp-nosed knight errant. As for Roberts herself, I never felt I was watching a frightened truth-seeker, more an actress drowning in too much plot. Alan J. Pakula, who could direct films like this in his sleep (*All The President's Men*, *The Parallax View*), seems to have done so here.

Finally, a brief hat-doffing to the success of these islands at the recent Berlin Film Festival. The Golden Bear for best film placed its paw on *In The Name Of The Father*. The Golden Bear for best actress hugged Crissy Rock in Ken Loach's new *Ladybird, Ladybird*. (Mr Hanks got best actor for *Philadelphia*). And Loach himself won the International Critics Prize for his truth-based drama that for all its bureaucracy-walloping OTT tendencies – multi-ple mother (Miss Rock) keeps losing babies to overzealous social workers – had more energy than all the other films in Berlin put together.

English Touring Opera

A 1930s 'Bohème'

A touring opera company has a special duty to seek out new audiences. For the past few years there has been a lively debate as to whether it is better to present the operas to them in an up-to-date and obviously relevant style or stay truthful to the composers' intentions – a dilemma to which English Touring Opera seems to have found a good working compromise.

The new production for its spring season is *La Bohème*, which has just had its opening performance at Sadler's Wells, London. This is commonly referred to as a "verismo" opera, though the term is hardly appropriate. Puccini may pretend to be showing us life as it really was, but his picture of penniless students sharing a garret in Paris one romantic Christmas in the 1830s is highly idealised.

Producers today like to strip away the tinsel if possible and Thomas de Mallet Burgess is no exception, though such a limited budget for the sets (Martin Johns the designer) may have forced his hand. His Mimi and Rodolfo are not trendily poor, beautiful people. Mimi is a plain girl, who wears sensible shoes and has to put on glasses to look for her lost key. Her chubby Rodolfo, in a drab brown jacket and striped pullover, dresses for homely warmth, not to look the archetypal poet.

All this makes it easier for the central couple to touch the emotions. Christine Bunning catches the awkwardness of shy Mimi, less convincingly her fragility, and sings the music strongly with unfailing, sure tone. Geraint Dodd is a husky-voiced Rodolfo lower down, brighter and easier at the top, which is a bonus in a British tenor. They play sensitively together.

The dominant Bohemian is Adrian Clarke's Marcello, incisively sung, an honest sort of fellow who can look a friend in the eye when the going gets rough. Majella Cullagh matures into an appropriately serious-minded Musetta for him by the end. Jonathan May's Colline and Meurig Davies's Schaunard have to provide the fun, the latter with Hitler-esque moustache. Their scenes together go nimbly under Martin André's lightweight direction.

The reference they make to Hitler is meant to have a point. The production has shifted the period forward a century to the 1930s, though not for any obvious reason. A lot of play is also made over the Parisian locale, with army officers and gendarmes roaming the streets. Quite why a nun should drop in for an evening of transvestite fun at the Café Momus I do not know, but never mind. The production has given us believable people who could live anytime, anywhere, and that is more important.

The same strength distinguishes the production of Donizetti's *L'elisir d'amore*, with which the Puccini is playing in tandem. Sometimes one can go months without seeing real people on an operatic stage. English Touring Opera offers that particular pleasure twice over. It deserves good audiences around the country.

Richard Fairman

Sponsored by Barclays Bank. At Sadler's Wells until February 26, then on tour

Pop music

Eric Clapton

If it's February it must be Clapton at the Albert Hall. "Old slow hand" has returned for the eighth successive year for a string of dates which have become as ritualistic as the Proms. The crowd stays the same – City types who jog embarrassingly out of time with the music; the songs are predictable, culminating in "Layla", at which the committed believers rush to the front to make a Mass of it; and the man is unchangeable, as ordinary as his guitar playing is out of this world.

Yet there are always subtle differences. This year Clapton is pared down to minimalist jeans and T-shirt, crew cut and glasses, to go with his current pre-occupation with the blues. He begins unplugged, static, and solo on a chair. Then as the blues roll the stage fills with musicians, obviously professionals because they are weighed down in black suits.

Clapton indulges himself outrageously as he pours out the best of Elmore James, Howlin' Wolf and the rest of the sad bunch of travelling men. A good blues, like "Hoochie coochie man", hits the spot, but there comes a point when you cannot take any more misery. Clapton tests the loyalty of his fans before relieving the gloom by bringing on the girls and the brass and letting go with "White Room". This is what the audience expected and lays back, in its turn, to be indulged.

It was not to be; well, only fitfully. Clapton did go back to basics with an intimate "Tears in Heaven", which now seems less maudlin and more heart felt, but then the blues got a grip again. In a way it matters little. Clapton is in staggering form as a guitarist. Just as you can be tone deaf and wonder at Stern on the violin or Horovitz on the piano, so Clapton's genius is transparent as his guitar speaks the sad music.

There is a feeling that the Clapton concerts have become an event for those chasing the place to be rather than for the fans who have kept the faith since proclaiming Clapton as God in the 1960s. When he sings "Wonderful Tonight" just one couple of romantics held aloft their lighters aflame. By his musical professionalism Eric Clapton has made the atmosphere at the Albert Hall no different from that conjured up by the most acclaimed classical maestro. It is a memorable experience, but it is not rock and roll.

Antony Thorncroft

INTERNATIONAL ARTS GUIDE

■ ATHENS

Megaron Tonight: Greek choral works. Tomorrow: Sonia Theodoridou song recital. Sat and Sun: Dmitris Sgouros is piano soloist with La Camerata chamber orchestra. Mon: Leda Masoura piano recital. Next Wed: ERT National Symphony Orchestra and Chorus. Next Thurs: Katia Ricciarelli song recital (01-728 2333/01-722 5511)

■ BARCELONA

Palau de la Musica Sat evening, Sun morning: Czech Radio Symphony Orchestra in works by Sibelius, Smetana and Martinu. Sun evening: Andorra National Chamber Orchestra in Vivaldi's Four Seasons and Tchaikovsky's Serenade for Strings. March 4: Alfred Brendel. March 8: Moscow Symphony Orchestra. March 21: Orpheus Chamber Orchestra. March 30: Jessye Norman (268 1000)

■ BOLOGNA

Teatro Communale Mon: Marco Boni conducts Concertgebouw Chamber Orchestra in works by Elgar, Stravinsky, Strauss, Bartok and Andriesen. Tues (Palazzo dei Congressi): Compagnie Preljocaj in choreographies by Angelin Preljocaj. The next opera production is Janacek's The Makropoulos Case, opening March 12 with Raina Kabaivanska as Emilia Marty (Biglietteria, Ente Autonomo Teatro Communale di Bologna, Largo Respighi 1, 40126 Bologna. No telephone bookings accepted. For information, call 051-529999)

■ FLORENCE

Teatro Communale Tomorrow, Sat, Sun: Zubin Mehta conducts orchestral works by Schubert, Mozart and Beethoven, with oboe soloist Hansjorg Schellenberger. March 4, 5, 6: Midori plays Brahms' Violin Concerto (055-277 9236)

■ LONDON

THEATRE

● The Life of Galileo: a new version of Brecht's masterpiece directed by Jonathan Kent, with Richard Griffiths in the title role (Almeida 071-359 4404)

● An Absolute Turkey: Felicity Kendall plays a harassed wife and Griff Rhys Jones a frantic bachelor in Peter Hall's enjoyable production of Feydeau's Le Dindon (Globe 071-494 5065)

● Peer Gynt: Japanese director Yukio Ninagawa, noted for his spectacular visual effects, tackles Ibsen's imaginative epic in a production running from March 3 to 12. Michael Sheen plays Peer Gynt from boy to old man, with an international cast in Frank McGuinness' English version (Barbican 071-638 8891)

● *An Inspector Calls*: the National Theatre's award-winning production of J.B. Priestley's psychological thriller, directed by Stephen Daldry (Aldwych 071-836 6404)

● Angels in America: the two parts of Tony Kushner's contemporary epic are played on separate evenings in the Cottesloe, in repertory with Caryl Churchill's strange and strong new play The Skriker (National 071-928 2252)

● Cabaret: Sam Mendes' sell-out production of the Kander and Ebb musical set in pre-war Berlin, with Jane Horrocks as Sally Bowles (Donmar Warehouse 071-867 1150)

OPERA/DANCE

Covent Garden The Royal Opera has a new production of Massenet's Chérubin staged by Tim Albery and conducted by Mario Bernardi (till March 1), and a revival of Rigoletto with Giorgio Zancanaro, Francisco Araiza and Young-Ok Shin (till March 11). A new production of Katya Kabanova opens on March 4, conducted by Bernard Haitink and staged by Trevor Nunn (071-240 1066)

Coliseum ENO has Jonathan Miller's new production of Der Rosenkavalier starring Anne Evans, Sally Burgess and John Tomlinson (till March 16), David Pountney's staging of Falstaff (till March 29) and a revival of Bizet's Pearl Fishers opening March 5 (071-836 3161)

Sadler's Wells Tonight, tomorrow, Sat: English Touring Opera presents its popular productions of L'elisir d'amore and La boheme (071-278 8916)

CONCERTS

South Bank Centre Tonight: John Eliot Gardiner conducts Philharmonia Orchestra and Monteverdi Choir in works by Grainger, Elgar and Holst, with cello soloist Steven Isserlis. Tomorrow: Gennadi Rozhdestvensky conducts RPO in Haydn, Schubert and Bartok. Sat: Hilary Davan Whetton conducts choral works by Mozart and Haydn. Sat (Purcell Room): Nash Ensemble plays works by Oliver Knussen and Simon Holt. Sun afternoon: Arturo Pizarro piano recital. Mon: Gidon Kremer and Martha Argerich play Beethoven violin sonatas. Tues: Franz Welser-Möst conducts LPO in Bartok and Bruckner. Tues (QEH): Fou Ts'ong piano recital. Wed: Lou Rawls. Next Fri: Simon Rattle conducts CBSO (071-928 8800)

Barbican Tues: English Baroque Orchestra and Choir in Handel's Messiah. Wed: Yuri Temirkanov conducts RPO in Brahms and Prokofiev, with violin soloist Vadim Repin. March 5, 6: concert performances of La boheme. March 14, 17: Jessye Norman (071-638 8891)

Wigmore Hall March 2: Thomas Hampson. March 27: Dmitri Hvorostovsky (071-935 2141)

■ MADRID

Auditorio Nacional de Musica Tonight: Wolfgang Weigl guitar recital. Tomorrow, Sat, Sun: Aldo Ceccato conducts Spanish National Orchestra and Chorus in works by Petrassi, Stravinsky and Tchaikovsky, with piano soloist Brigitte Engerer (01-337 0100)

Teatro Lirico La Zarzuela Tomorrow, Sun, next Tues: Arturo Tamayo conducts John Cox's production of Yevgeny Onegin, with Carlos Alvarez, Karita Mattila and Kaludi Kaludov (01-429 8225)

■ MILAN

Teatro alla Scala Tonight, Sat, Sun afternoon, next Tues and Thurs: Puccini's La Rondine. Mon: Michele Campanella piano recital (02-7200 3744)

■ NAPLES

Teatro San Carlo The next opera production is La sonnambula, opening on Sat with Maria Dragoni in the title role. Richard Bonynge conducts a staging by Sandro Sequi. Repeated March 1, 3, 6, 8 (081-797 2331)

Teatro delle Palme Tonight: Mauro Loguercio violin recital. March 3: Artis Quartet. March 9: Emanuel Ax (081-406011)

■ PALERMO

Teatro Massimo The next opera production is a double-bill pairing Monteverdi's Il ballo delle ingrate with Purcell's Dido and Aeneas, conducted by Alan Curtis and staged by Pier'Alli, with casts including Bernadette Cullen and Debora Beronesi. Opens next Tues, till March 19 (091-605 3315)

■ PRAGUE

● Jiri Belohlavek conducts Czech Philharmonic Orchestra tonight and tomorrow at Dvorak Hall in Rafael Kubelik's Invocations, Sibelius' Violin Concerto (Frantisek Novotny) and Martinu's Third Symphony (02-286 0111)

■ ROME

CONCERTS

Teatro Olimpico Tonight: Mantua Chamber Orchestra plays concertos by Vivaldi, Bach, Handel and Haydn (06-320 1752)

Gonfalone Tonight: Kodaly Quartet plays string quartets by Schubert and Ravel (06-687 5952)

Teatro Valle Tomorrow: Michael Nyman Ensemble. March 5: Barbara Hendricks. March 6, 8, 10: Giuseppe Sinopoli conducts concert performances of Parsifal (06-678 0742/06-6880 3794)

Universita La Sapienza Sat: Yevgeny Buchkov violin recital (06-361 0051)

Teatro Il Sistina March 6: Emanuel Ax piano recital (06-5734 4664)

OPERA

Gian Carlo Menotti's new production of Lucia di Lammermoor is due to open at Teatro dell'Opera on Sat with a cast headed by Mariella Devia and Vincenzo La Scola (repeated March 1, 4, 6, 8, 11, 15). There are also performances of Manon Lescaut on Sun, next Wed and Sat. Programme subject to cancellation or change at short notice (06-481 7003)

■ TURIN

Teatro Regio Tonight, Sat, Sun afternoon, next Tues, Thurs, Sun: Alain Guingal conducts Lorenzo Mariani's production of La forza del destino, with alternating casts including Aprile Millo, Sergey Larin, Paolo Coni and Roberto Scandiuzzi (011-881 5214)

ARTS GUIDE

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Northern exposure for the unskilled

BOOK REVIEW

NORTH-SOUTH TRADE: EMPLOYMENT AND INEQUALITY
Clarendon Press, Oxford
482 pages, £45

In 1930s Britain, a highly qualified professional such as a university professor earned seven times the average wage and probably employed two full-time servants. Now he or she earns about twice the average wage and might employ someone to clean once a week.

Part of the thesis of Adrian Wood's disturbing book is that levels of inequality in the developed world not experienced for 50 years are being re-established as a result of economic convergence between rich and poor countries.

For most of the period since the second world war there has been a steady increase in the income of *all* citizens in the developed world. Though there have been large differences between the passengers, the ship of state has sailed ahead with everyone on board.

Adrian Wood believes that the rich and the poor in developed countries are now in different boats, one rising and one sinking. Like Robert Reich, the US labour secretary, in his book *The Work of Nations*, Wood says the dividing line is no longer between capital and labour but between skilled and unskilled.

Wood's book is part of a growing body of work on inequality, which seeks to explain the slump in demand for unskilled labour in developed economies, manifested in falling real wages for many American workers and persistently high unemployment in Europe. But what distinguishes it from the received wisdom is that it places trade with developing countries, rather than technological change, at the centre of the explanation.

The argument is summed up by the author with typical clarity in the first paragraph: "Expansion of trade has linked the labour markets of developed countries (the north) more closely with those of developing countries (the south). This greater economic intimacy has had large benefits, raising average living standards in the north, and accelerating development in the south. But it has hurt unskilled workers in the north, reducing their wages and pushing them out of jobs. Northern governments must take action to solve this problem."

Few would deny that north-south trade has changed significantly in recent years. Instead of the south sending raw materials to the north and the north sending manufactured goods to the south, the relationship is now dominated by the exchange of manufactured goods. The north sends skill-intensive computers to the south and the south sends labour-intensive textiles to the north.

But the scale of the change is often not appreciated. The annual value of the south's manufacturing exports to the north has increased from virtually nothing in 1950 to \$250bn in 1990. Some economists say this has had little net impact on employment in the north. As countries such as South Korea (where wages have doubled in the past five years) become richer, they stimulate demand for sophisticated goods from the north. Further, although \$250bn sounds a big figure, it still represents only 3½ per cent of the north's consumption of manufactured goods, up from 1¼ per cent in 1970. Thus demand for less skilled labour in the north has only been reduced by a few hundred thousand jobs.

Wood disagrees. He says the impact of trade on labour demand in the north is 10 times greater than most previous estimates and has created a 20 per cent fall in demand for unskilled labour across the developed world. Previous calculations, he says, have not accounted for the fact that many northern companies have responded to the threat of southern competition by introducing production methods which eliminate low-skill labour. The south's declining demand for labour-intensive manufactures from the north has also been ignored, as have large areas of manufacturing where the north no longer competes.

Not all of these arguments carry equal weight. The observation that northern companies have introduced new production methods raises the question of why they were not doing this anyway, if it was profitable to do so. And with only 18 per cent of employees in Britain working in manufacturing, it seems implausible that such a far-reaching impact on overall job levels should be conducted through such a small group.

Why, in any case, is this shift in world trading patterns occurring now? Supporters of the trade case, such as Wood, say that a large gap opened up between wages in the developed world and the undeveloped world in the century to 1960, and that a combination of technology (containerisation), politics (the end of empire and the removal of trade barriers) and education (the trebling of literacy rates in the past 30 years) has only allowed this gap to be exploited by the south relatively recently.

Supporters of the technology case as an explanation for inequality can, just as convincingly, point to labour-saving innovations, such as robotics, which did not exist until a few years ago. Nevertheless, Wood has eloquently raised the profile of trade in the debate about skills, equality and employment. Rather disarmingly, he accepts that the technology argument might be equally plausible, but as a strong opponent of protectionism, his policy prescriptions remain the same.

.The solutions are familiar but well argued: more help for unskilled workers to acquire skills, and income supplements for low-paid workers. The taxes to finance such initiatives should not destroy the incentive to acquire skills.

The justification for intervention by governments is that it is unfair that the poorer members of northern society should suffer as a result of changes which benefit the majority. Those who suffer can also make life unpleasant for those who do not. It is preferable, says Wood, to be taxed than to be mugged.

David Goodhart

ECONOMIC VIEWPOINT

Post-communism: the rival models

By Samuel Brittan

Finance ministers from the Group of Seven leading industrial countries are to seek assurances this weekend that Russia is taking action to avoid hyperinflation and control budget deficits.

They have already been given their answer by the head of the Russian central bank, Victor Gerashchenko (who is a one-man refutation of the more simple-minded case for central bank independence). Geraschenko has said that the Russian government would have difficulty in keeping its 1994 deficit below two or three times the 1993 level, when inflation was 900 per cent.

If you think that these rates of credit creation and inflation brought any growth, take a look at the table showing real gross domestic product falling by double-digit percentages in each of the past three years. It is hardly surprising that the extreme nationalists and renamed communists did so well in the recent Russian parliamentary elections.

At this point the whole sad story becomes ammunition for another ideological debate in the west. One school of thought would use these estimates rather bitterly to count the cost of western-sponsored reform. Another would use them to underline the costs of avoiding real reform.

A spirited exposition of the first point of view is provided by the Oxford political philosopher, John Gray, in a booklet entitled *Post Communist Society in Transition**. Gray, who was once the authorised expositor of Hayek, now attacks western governments for "a species of free-market fundamentalism" in their approach to former communist countries. He calls the prevailing attitude "not only intellectually indefensible; it is politically frivolous, and dangerous in the highest degree".

One of Gray's strongest points is that by far the most powerful forces in the former communist countries have been nationalism and religion, which none of the schools of reformers foresaw or took into account. His avowed purpose is to go through all the models that have been proposed for the former communist countries and say that none of them is adequate to the historical singularities of countries such as Russia. But since even political theorists cannot just dwell on the uniqueness of each society, he comes quite near to recommending the Japanese example. His most telling dictum, however, is that the success of post-communist governments depends on their ability "to secure national security, to protect their citizens from foreign attack, civil strife and organised criminality".

Gray singles out Harvard's Professor Jeffrey Sachs as a villain of the piece. The latter has played an effective role in the highly-successful Polish reforms, which are being maintained by a new government containing many former communists. He has also been an adviser to the reformers in the Soviet Union and Russia and is more than capable of taking care of himself.

Sachs avoids getting into a debate on whether the new kinds of capitalism will be based on western ideas of individualism or Confucian ideas of the supremacy of the family or society. He simply points out that the countries with which he has been concerned have been faced with a hyperinflation, which would break down any structure of society unless shock therapy is undertaken. As he remarks, Gorbachev's Soviet Union and Hungary and Poland did try gradualist strategies in the 1980s, which ended up in macro-economic disaster.

In a co-authored article in the November issue of *International Economy*, he confronts head-on the frequent references to the Chinese model. China, in fact, did have a big bang in its rural sector, which accounted for more than 70 per cent of employment in 1978. Within a few years China's leaders allowed peasant families to move out of agricultural communes and to control their own farming plots, and also to move to new non-state industries in rural and coastal areas. China's problem was to generate basic economic development, starting with a huge surplus agricultural population. Russia's problem has been that of economic restructuring in a country where more than 85 per cent of the population is in industry and services; but too many of them are locked into obsolete military-industrial structures.

Post-communist reform: non-meeting of minds

Jeffrey Sachs

John Grey

Real GDP
% change over previous year

	1990	1991	1992	1993	1994 (Forecasts)	1995 (Forecasts)
Czech Republic*	-1.6	-14.7	-7.1	0	2.0	5.0
Hungary	-3.3	-10.0	-5.0	-1.0	2.0	1.0
Poland	-11.6	-9.0	1.0	3.0	4.0	3.0
Russia**	-4.0	-17.0	-19.0	-11.0	-9.0	1.0

*CSFR before 1992 **USSR before 1992 Source: OECD

Inflation
% change in average level of consumer prices over previous year

	1990	1991	1992	1993	1994 (Forecasts)	1995 (Forecasts)
Czech Republic*	10	58	11	21	11	10
Hungary	28	35	23	23	20	20
Poland	585	70	43	40	35	30
Russia**	5	91	1,500	900	n.a.	n.a.

*CSFR before 1992 **USSR before 1992 Source: OECD

As for Japan, Sachs reminds us that in 1949 the US imposed a rigorous IMF-style stabilisation plan. This remark appears in a book on *The Political Economy of Policy Reform*, edited by John Williamson, just published by the Washington Institute for International Economics. Williamson himself goes some way to meet the Gray-type ideological attack by distinguishing between what he calls the Washington programme of market-based reform and Thatcher-Reagan neo-conservative ideology.

China's problem was basic development; Russia's that of restructuring

Williamson's three slogans are stability, market oriented and outward-directed reform. His more specific list starts with fiscal discipline and goes on to public expenditure and tax reform, financial liberalisation, realistic exchange rates, trade liberalisation, freedom for inward investment, privatisation and deregulation.

This is not altogether convincing. Even 10 years ago, items such as privatisation, deregulation or financial liberalisation, would not have appeared on the list; and it is only thanks to the efforts of those who have been prepared to be tarred with the neo-conservative brush that they have now become orthodox. Hard science is not to be sought in this area; and the awful name "technopols", which Williamson gives to politically-powerful economists, should be dropped like red hot coal. A perfectly good alternative word is 'political economist'.

The book considers 11 countries that are regarded as successful examples of reform and two which have failed. The countries covered range from New Zealand via Poland to Mexico; but neither the Group of Seven main industrial countries nor Russia or China are covered. The purpose is to establish the conditions required for successful reform. But most of the candidates – ranging from social consensus to strong dictatorship, and surprise treatment to gradualism – appear neither necessary nor sufficient.

The nearest to a common thread is political leadership. But, looked at in detail, it is a subtle commodity. The leadership that the reforming New Zealand Labour prime minister, Mr David Lange, gave was for a nuclear-free South Pacific; this gave his finance minister Roger Douglas a chance to get his act together.

In Poland, the motivation of the leadership, which gave economic reform its chance, was the urge to rejoin Europe. In a different way, similar factors were at work in Mediterranean countries where leftwing leaders could get away with market policies by asserting they were necessary to become full members of the EU.

But I have run out of space without having had a chance to discuss an issue that causes acute divisions among political economists of the Washington consensus. Sachs passionately believes that lack of adequate western aid at make-or-break moments has much to do with the fall of Yegor Gaidar and other Russian reformers. The IMF view is that these reformers never had the power for a credible programme.

Sachs exaggerates the role of overseas help in economic take-off. England, which first experienced industrial revolution, could not by definition draw on the resources of earlier pioneers. Where he may be right is that overseas help can be crucial to the political survival of reform-market governments hanging on by a thread.

If opportunities have been missed, the IMF is, however, only a minor culprit. A decision to use economic aid to sustain particular governments in Russia or elsewhere is a summit one to be made by presidents and prime ministers and they abandon their duty if they delegate it to 'experts'.

* *Social Market Foundation, 20 Queen Anne's Gate, London*

LETTERS TO THE EDITOR

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Motives for metals group rescue

From Mr Christopher Whalen.

Sir, John Craven's article (Management: "Testimony to the German system", February 18) concerning the rescue of Metallgesellschaft is very disturbing.

Were it not for the involvement of commercial banks as lenders to and investors in Metallgesellschaft, there would be no need for the \$1bn plus bailout so hastily arranged in recent weeks. Moreover, Mr Craven makes only the weakest justification of the company's deliverance from the liquidators by raising the uncomfortable spectre of lost jobs. He dares discuss the situation based upon economic utility since the lenders' ability to protect their secured interests as creditors was compromised by their conflicting role as shareholders.

No rational person wants to see a company fail or workers put out of their jobs, yet the rescue of Metallgesellschaft poses a basic economic and moral dilemma. Investment bankers often mouth platitudes about "free market" discipline, but when a large private company in which they hold equity stakes fails, these same bankers fall back upon the political expedience of corporate statism. If Metallgesellschaft had 5,800 employees instead of 10 times that number, and the banks involved were lenders rather than investors too, would Mr Craven be so eager to fashion a rescue? Clearly the answer is no.

We cannot all equally enjoy the benefits of free-market capitalism without the taint of favouritism and cronyism unless failure comes as readily as success. Other firms and their employees that operate in the industries in which Metallgesellschaft also participates are penalised by the preferential treatment shown this company, which happens to have bankers on its governing board as investors and creditors. This is especially true in industries such as metals and mining, in which over-capacity has severely reduced profitability in recent years.

The real issue here is not simply conflict of interest. The discussion should revolve around whether it is appropriate in the first instance for a bank to use funds raised from depositors and guaranteed by an explicit government bank safety net to finance and, in this case, replace the equity of a commercial company, particularly one that squandered its equity through reckless speculation in volatile energy markets.

Surely this politically motivated rescue is no example for the future of a stable, healthy and transparent free-market political economy, as Mr Craven seems to suggest.

Christopher Whalen,
director,
The Whalen Company,
1717 K Street NW, Suite 600,
Washington DC,
US

Wrong name for cancelled BCCI session

From Mr Jeremy Pope.

Sir, In your article, "Sir Sonny had special loan" (February 16) you repeat the allegation that a session at a crime symposium at Cambridge University in 1989 on the Bank of Credit and Commerce International and money laundering "was cancelled on the directions of the [Commonwealth] secretary-general's office".

At the time of the symposium, officials of a branch of the BCCI in the US had been convicted of money laundering. Sir Sonny Ramphal was then Commonwealth secretary-general.

Had this suggestion been referred to the secretariat, rather than simply reported, it would have been made clear that, as the one with overall responsibility for the programme at Cambridge, I alone was the one who took the decision not to name the BCCI in the agenda item as such, but gave full approval for discussion of the money laundering conviction. This in fact took place. At that stage, there was no reason other than that conviction to have suspected that the BCCI was engaged in large-scale fraud and money laundering.

At no time was the question referred to Sir Sonny Ramphal, or referred to any member of the staff of his private office.

Jeremy Pope,
Akazienstrasse 15,
Berlin, Germany

Smokescreen for more work by fewer

From Mr Bob Tyrrell.

Sir, Charles Handy has once again produced a rare book (Personal View, February 21) that analyses incisively and with originality some of the key dilemmas facing modern managers. In particular, he exposes the tension produced by calls for flexible and adaptable companies and the need for a committed and effective core of key knowledge workers. He is also very persuasive in his prescription for companies suffering this tension.

However he, like the RSA in its recent interim report on its Inquiry into Tomorrow's Company, is much less convincing in explaining and justifying the call for tomorrow's company to operate in an "inclusive" way. Isn't the term more of a smokescreen than illuminating when applied to the workforce and the wider community? In what sense can these "stakeholders" be described as included when more managers are, as Handy points out, applying the formula "½ x 2 x 3" (half the workforce paid twice as much to produce three times as much)?

Reconciling the conflicts between global pressures to operate more competitive companies (part of which means having less intrusive and "burdensome" state sectors, deregulated labour markets and privatised welfare states) and the fallout this creates in terms of increasing numbers of excluded is one of the major social and political challenges facing Britain. Concealing this conflict behind a warm-hearted but ultimate empty rhetoric is doing no one any favours.

Bob Tyrrell,
Henley Centre,
9 Bridewell Place,
Blackfriars,
London EC4V 6AY

Paying for consumer protection

From Ms Maureen Watson.

Sir, I run a small, independent financial advice business, with a team both honest and competent. I have retained 95 per cent of my clients for more than 20 years, some quite well known. I do not *choose* to handle clients' money, yet I have to pay ever increasing fees to Fimbra, the self-regulatory organisation for independent financial advisers in the UK, to protect the public from unscrupulous advisers. Now the powers that be are getting rid of Fimbra, and the Personal Investment Authority is being foisted on us with even more people who know nothing about financial products peering at our files and, you have guessed, ever increasing fees.

I am 100 per cent behind consumer protection but, please, is there anyone out there who can explain to me why Roger Levitt has been discharged from his £65m debts and received a sentence of 180 hours' community service, and why I, and hundreds like me, will be squeezed out of business in the next few years because of onerous charges?

How I wonder will that help the consumer. But, in any case, do any of you care?

Maureen Watson,
Maureen Watson Financial Advisers,
110 High Road,
Loughton, Essex IG10 4HJ

Practise what you preach

From Mr James Hanshaw.

Sir, I read with interest your article about government-sponsored guidelines for company directors (Management: "Boardrooms pressed on standards", February 21). They should establish the company's vision, mission and values; set strategy and structure; supervise management and be responsible to stakeholders. The chairman must ensure the board is structured correctly. Would that Britain's prime minister and cabinet did what they would have others do.

James Hanshaw,
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FINANCIAL TIMES

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Thursday February 24 1994

Trans-Alpine road traffic

One cannot help feeling sympathy with the Swiss and the Austrians. Nationals of both countries are horrified at the prospect of yet more lorries thundering through the Alps, spewing out pollution and destroying its natural beauty.

Such emotions are behind last weekend's Swiss referendum, in which a majority voted to ban all transit lorry traffic through the Alps over 10 years. They also explain the tough stance currently being taken by Austria in its negotiations to join the European Union. It wants to maintain, for another 10 years, restrictions on the number of EU lorries allowed to cross Austria.

The Austrians and Swiss have their hearts in the right place. The environmental damage caused by trans-Alpine road traffic must be curtailed. But the means both countries are employing to achieve this goal leave much to be desired and threaten to disrupt relations between them and other European countries.

The main problem is the discriminatory nature of the policies. In Switzerland's case, only transit traffic is to be banned. Lorries travelling within the country or between Switzerland and other countries will not be affected. The main loser will be traffic between the north and south of Europe, particularly between Germany and Italy.

Similarly, Austria wishes to keep its "eco-points" system, which limits the number of lorries allowed to cross the country. This is an environmentally-adjusted quota system: transit quotas are given to each Union country and then adjusted according to how dirty the lorries are. Again, only transit traffic is affected. In this case, a big loser is Greece.

Sticking point

Both the Swiss and Austrian approaches are causing friction with the European Union. In the Swiss case, discrimination is not the only issue. The referendum, which is binding unless repealed by another referendum, means the government will not be able to abide by the terms of an accord with the EU on lorry traffic. The EU will rightly worry whether future agreements with the Swiss government are worth the paper on which they are written.

But the Austrian dimension is more pressing because Alpine traffic has become a sticking point in the enlargement negotiations which are near their deadline. The talks were always going to be difficult. But the knock-on effects of the Swiss referendum have made things worse. Austrians are afraid that traffic banned from crossing Switzerland will be diverted through their Alps instead.

A way must be found of reconciling the environmental concerns of the Alpine nations with the need to move goods between different parts of Europe. The obvious solution is to place a greater emphasis on rail transport. This, in turn, requires more investment in rail infrastructure and a tilting of the economic incentives so that haulage companies find it attractive to switch their goods from road to rail.

Little progress

Switzerland has made much progress in switching traffic from road to rail. Nearly 80 per cent of transit traffic already goes this way. Matters will be improved when the new SFr20bn Gotthard rail tunnel is complete. The country also plans to link lorry road taxes to the distance they travel.

Austria, by contrast, has made little progress in improving its trans-Alpine rail infrastructure. Feasibility studies for a new Ecu10bn rail link through the Brenner pass are not yet finished, meaning completion is at least 10, and perhaps 20, years away. It is possible, though, that the Brenner link will receive a fillip as part of the European Union's trans-European networks initiative which is now gaining momentum. The European Commission is holding a meeting of Alpine states to discuss trans-Alpine infrastructure next month.

Austria's concerns, of course, cannot wait until this process is concluded. The deadline for the enlargement talks is too pressing.

The Union must therefore publicly and swiftly reassure Austria that it fully sympathises with its desire to protect the Alps. But it must continue to stress that such protection must be applied on a non-discriminatory basis. Even-handedness would not only be fairer to EU countries. It would also offer greater protection for the environment.

Grandeurs et servitudes

Defence planning is one of the most difficult activities that any government has to engage in. The lead times involved are very long, especially when new weapons systems have to be designed, tested, commissioned and deployed, a process that can take up to 20 years. Yet defence postures have to respond to international circumstances which can change very rapidly, as the last five years have spectacularly demonstrated.

When, as in this case, the change takes the form of a sudden diminution, indeed virtual disappearance, of the main threat which a country's defences had been designed to meet, a wise government will not respond precipitately by slashing its defence budget, but will take time to assess the new situation and think through its implications. Judged by that standard, the French government has been wiser than most of its allies. The defence white paper it published yesterday was in fact the first since 1972, and purports to assess France's strategic priorities up to the year 2010. Even now it does not involve explicit choices about military spending: those will come in a five-year "loi de programmation", to be presented in the spring.

Unhappy memories

The contrast with the British procedure is striking. Since 1989, the British government has resisted pressure for a formal "defence review" (a phrase which brings back unhappy memories of successive rounds of cuts in the 1960s and 1970s). But that did not stop it rushing out, in 1990, a document entitled "Options for Change" – misleadingly, since instead of offering a range of options it imposed a fixed menu of cuts which were unmistakably "Treasury-driven", rather than a considered response to a new strategic situation. The inconvenience of this method was all too well illustrated yesterday when the government, introducing the third and final phase of the cuts, found itself obliged to send redundancy notices to men serving in Bosnia, a few days after it had turned down their British commander's request for reinforcements on the grounds that there are no more troops to spare.

The French white paper is comparable in conception to the "Bottom-Up Review" published last September by the ill-fated US defence secretary, Mr Les Aspin, though it attempts to look even further ahead, and is in some ways more radical. It begins by conceding that "for the first time in history, there is no direct threat to French frontiers", but seeks to convince the French public that there are nonetheless real dangers affecting the security of Europe as a whole, to which France must, with its allies and partners, be able to respond.

Symbolic legacies

It does not propose either to scrap France's independent nuclear deterrent or to go back into Nato's integrated command. Thus the two great symbolic legacies of Charles de Gaulle are preserved. Yet, in a passage which certainly owes more to the present incumbent of the Elysée than to the founder of the fifth republic, it does envisage, at least hypothetically, a future when "vital European interests, understood as such by Europeans and others", may make it possible to work out a "European nuclear doctrine"; and it does acknowledge Nato as "the main defence organisation", whose meetings can be attended on an *ad hoc* basis by French defence ministers and chiefs of staff, notably when peacekeeping or, as Nato now calls them, "peace support" operations are involved. Thus does doctrine catch up with and legitimise recent practice.

But armies do not live by doctrine alone. Mr Aspin's Bottom-Up Review was an honest and lucid document, but congressional experts doubt whether the money will be found for forces of the size it implicitly calls for. Similarly, French economists and parliamentarians have noted that, large as it is, the French defence budget does not cover the cost of all the weapons systems now planned or in production. The real political test for Mr François Léotard, the defence minister, will come with the *loi de programmation*; and the test of France's European commitment will come when its partners ask for the right for their companies to tender for French defence contracts, or to acquire equity in French defence companies.

Nice benefits, what about the borders

Andrew Adonis asks if the performance of the UK telecoms industry offers an example for other countries

Britain is Europe's telecommunications laboratory. For the past decade it has pioneered policies of privatising and promoting competition far in advance of the rest of the European Union. Even US companies, generally considered to have more advanced telecoms systems, regard it as a test bed for new services they may introduce back home.

Other EU states – most immediately Denmark, the Netherlands and Germany – are embarking on telecoms privatisations. Deregulation is also advancing across Europe; competition between providers of basic voice services will be allowed by 1998 in most EU states.

A sound assessment of the UK's experience is therefore important. That makes a government-sponsored study of the international competitiveness of UK telecoms infrastructure, published this week, essential reading. The study, prepared by Mr Robert Harrison of the London-based PA Consulting Group, is not an unqualified paean of praise, though some of the shortcomings it identifies are as much Europe-wide as British. Its findings have significant implications, however, for other countries going down the UK route.

Overall, the report ranks UK telecoms performance "consistently a good second", often to the US. It does not put the UK out in front in any field. But that may be unfair in the case of regulation, given the UK government's innovative decision to license combined cable TV and telephone operators, a move which has demonstrated the economies available from dual provision and has stimulated competition in a field – the local network – previously regarded as a natural monopoly.

The US looks set to proceed down the same road, and several US Baby Bell companies will be able to apply back home the experience they have gained investing a total of nearly £5bn in urban cable networks in the UK.

Britain also scores well in the areas of network investment and mobile communications. In each terms its network investment for 1990 is ranked behind the US, Japan and Germany but, after adjustments for differences in equipment prices paid by different operators, the UK's investment per line ranks second only to the US. Costs are relatively low because UK network operators boast open procurement policies. This is in part because the UK's largest domestic equipment suppliers have been sold to overseas companies in the last decade, severing old ties.

The implication is stark: the close relationships between state-owned European telecoms operators and indigenous equipment suppliers are leading operators to pay excessive prices for equipment.

Similarly, in cellular communications, the UK policy of encouraging competition from the mid-1980s, and limiting the role played by BT, the former monopoly operator of fixed-wire services, has paid dividends. Penetration of cellular mobile services is far higher in the UK than in Germany, the Netherlands and France, although it still lags behind the Scandinavian countries.

Looking ahead, how well placed is the UK in the race to realise in Europe the "super-highway" vision of high-capacity networks, providing interactive entertainment and communications, trumpeted by Vice-President Al Gore in the US?

Mr Gore is determined to leave the new networks' construction to the private sector. Telecoms companies appear to be responding: several Baby Bells have announced upgrading programmes in the past few months, aiming to replace copper wires with fibre-optic cables in local networks. At least three of them – Nynex, US West and Bell-south – are also undertaking commercial experiments with fibre connected not just to businesses, but to homes, schools and hospitals.

In the UK, BT has until now appeared keener on spending sprees abroad than on upgrading its network at home – witness its $5.3bn splash last year on a stake in MCI, the second-largest US long-distance carrier, while its UK investment was bottoming out.

BT has claimed that a government ban on it providing entertainment services over its own network until at least 2001 made it uneconomic to lay fibre in the local network. Some observers feared the government was promoting competition in basic telephony at the expense of network modernisation.

However, Mr Alan Rudge, BT's director of development and procurement, indicated that BT might be on the verge of launching a massive programme to extend fibre to the local network. BT is coming to recognise that its future depends on developing a high-capacity network akin to that envisaged in the US. If it goes forward, it will be the largest network investment programme since digitalisation, and make Britain one of the first European states to go fully down the local fibre route. "It's all about timescale: we might even take fibre right into the home," said Mr Rudge.

If consumers are ever to use the new "super-highways", operators will not only have to invest in new networks, but make the services affordable. The DTI study gives only cursory attention to the crucial area of pricing and the impact of competition in driving down margins that have historically been kept high in many countries, as a surrogate form of national taxation.

One study cited in the report suggests that in 1992 BT charged higher residential prices than six other large national operators (see graph), while its business prices were significantly lower than those of France, Germany, Japan and the US. However, a 1993 survey, comparing calls of set distances and charge bands between the seven countries, shows BT in a more favourable light, although still more expensive than the Netherlands, Sweden and the US.

The comparisons, though tentative, lend weight to the argument that competition has driven down prices. Significantly, until recently competition in the UK centred almost exclusively on the business market: Mercury, BT's sole rival until the abolition of the post-privatisation duopoly in 1991, has about two-thirds of the City of London's outgoing long-distance telecoms traffic, but has only just started pitching seriously for large-scale residential traffic.

It has taken Mercury nearly a decade to take a 10 per cent market share in the UK telecoms market. Compared with new competitors in US, Australia and New Zealand, its progress has been glacial.

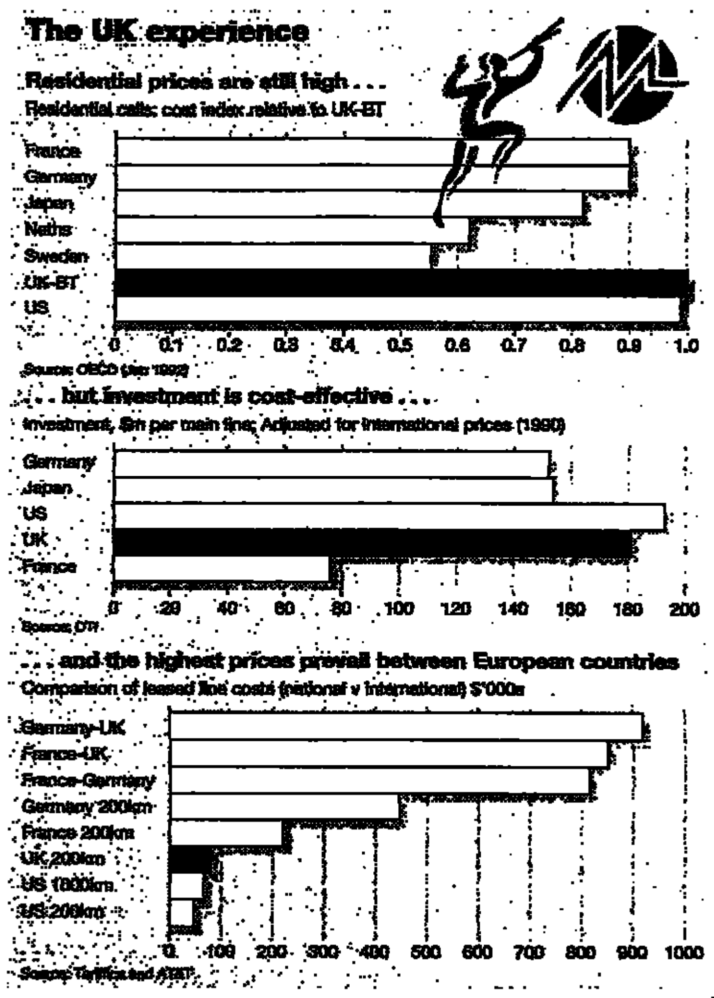
Differences in national regulation may account for Mercury's slow development, but the effect has been to allow BT to safeguard its margins and profits, checked only by a price cap set by Oftel, the regulator. A telling comparison can be made between BT's pricing policy and that of New Zealand Telecom, forced into aggressive, almost weekly price-cutting last summer and autumn to fend off a new competitor, Clear Communications, which had gained an 18 per cent share of the long-distance market in barely two years.

However, competition in Britain can achieve only so much on its own. The DTI highlights two areas where European prices are uncompetitive compared with the US.

First, on leased lines. The differential between internal long-distance and cross-border public call charges has been a long-standing grievance. But it applies also to leased lines, critical to the business market. According to the DTI study, a leased line between France and Germany costs nearly twice as much as the same line leased within either of the two countries, and about 16 times as much as a 200km leased line in the US.

Second, the cost of very high bandwidth leased lines – capable of carrying far greater telecoms volumes – is equally distorted. In Germany, the costs of such leased circuits can be five times as much as in the US. Mr Harrison, the report's author, said: "This difference in tariffing policy between the US and other countries means that users in the US tend to regard bandwidth as a commodity, and face a far lower cost penalty in experimenting with broadband applications."

Though benefits from liberalisation in Britain appear considerable, and may give the country a competitive edge in the EU, a clear lesson from this week's study is the limitations of liberalisation in one country. To maintain a competitive edge against the US in telecoms, England's borders must extend to the Rhine.



Safety net for pensions custodians

PERSONAL VIEW

Taken together, the following three events are rather surprising. First, about £400m is discovered to be missing from the Maxwell pensions funds. The problem so far as we know, had nothing to do with underfunding or with poor investment performance. Rather, the money just was not with the custodians, where it was supposed to be. Second, in the wake of what is surely the most serious financial scandal of recent times, the government asked a committee under Professor Goode to examine the law as it applies to pensions. The report does not propose any substantive changes in the area of safe custody and, in particular, does not recommend making the use of independent custodians mandatory. Among the reasons given is that the use of custodians may "give the semblance of protection without the reality". Third, in its "Custody Review", the Securities and Investments Board says that it does not feel the case has been made for bringing custody under the regulatory umbrella and making it an authorisable activity.

Can all this make sense? Goode is right to have doubts about the contribution which commonly existing forms of custody can make to the safety of client assets. A custodian typically works under a contract drawn up by the pension fund trustees. Duties will typically include the safe-keeping of assets, their delivery or receipt after authorised transactions, and the provision of a reporting system. Such a contract will usually not require the custodian to use its judgment and discretion to protect the assets of investors but rather to follow the instruction of the pension fund trustees or their delegates. If the trustees instruct the custodian to deliver client assets to some third party, as appears to have occurred in the Maxwell case, the custodian will do it so long as this is consistent with the custody contract (which it usually will be). In contrast, our view is that the form of the contract can be altered substantially to improve protection for client property against fraud and misuse.

One of the principles of protecting investors is that those with responsibility ought to be in a position to provide compensation if that responsibility is abused. In pension funds the responsibility lies with the trustees but they are rarely able to provide compensation. Regulating custodians will not change this substantially. This may be why the

What regulation ought to focus on is the type of contract under which custodians operate

SIB does not support making custody an authorisable activity and why Professor Goode does not favour mandating the use of custodians. What pensions regulation ought to focus on, however, is the type of *contract* under which custodians operate. It should be a legal requirement that the contract with custodians provides a duty of care to the trust fund and its beneficiaries rather than the trustee. One implication for the Maxwell type of case would be that, if the trustees were to give instructions to the custodian which the latter considered prejudicial to the interests of pension fund beneficiaries, the custodian would be obliged to refuse to carry out such instructions, and failing that would be liable for the consequences. This would also have the effect of providing another "whistleblower" for beneficiaries just as Goode's proposals would do in the case of auditors. If this change were made it would be necessary to subject custodians to a "fit and proper" test and to minimum capital requirements to ensure they can meet liabilities in the event of claims against them. This, in turn, would require that custody becomes an authorisable activity.

We believe this approach would be more effective than Professor Goode's proposals, which would create a fund to compensate pension fund beneficiaries in the event that the assets were misappropriated. A compensation scheme will do nothing to diminish the incidence of fraud; indeed, it is nothing more than a compulsory insurance scheme where the premiums will (almost certainly) be unrelated to the risks. Honest firms will subsidise dishonest firms, efficient firms will subsidise inefficient firms and the scheme will weaken the incentive for firms to take sensible actions on their own behalf to prevent fraud. If a compensation scheme has a role at all, it should not be the principal weapon in the current drive to protect the investor against fraud. It would be far better to give a greater role to properly regulated custodians, to let the market for custody services discriminate between good risks and bad risks and to leave any compensation scheme to cope with the few cases that slip through the net.

Julian Franks and Stephen Schaefer

The authors are, respectively, professor of finance and Esmée Fairbairn professor of finance in the Institute of Finance and Accounting at the London Business School

OBSERVER

Trading with Bruges

■ Few are the occasions when John Major can wait for a speech from Lady Thatcher with equanimity, particularly at an event organised by Patrick Robertson of Bruges Group fame.

One such seems set to occur early next month during a London conference entitled World Trade after Gatt – Issues for Europe and its Competitors. For a change, Lady Thatcher will be beating the drum for a cause beloved by her successor when she talks about the need for an open trading system. The conference is a first for Robertson's Taskforce Communications set up by one of Lady T's greatest admirers, Lord Parkinson.

Queueing up to listen will be Arthur Dunkel, the long-suffering Gatt director general, who oversaw the birth of the Uruguay round. So will Sir Iain Vallance, chairman of BT, who will pronounce on international telecommunications, Laurent Fabius, former French prime minister, on the reactions of his country, John Flemming, erstwhile chief economist at the European Bank for Reconstruction and Development, on multilateralism, and DeAnne Julius, British Airways new chief economist, on trade in services.

Above all, one of the heroes of the round, Sir Leon Brittan, will analyse the policies of the European Union. So should he and, for that matter, John Major, wait with pleasurable anticipation for what their former boss will have to say?

Probably not. It would be surprising if she were not to take the opportunity to belabour the European Union for its interventionism, protectionism, *et al*. Trust that Robertson chap to stir up trouble again.

Scrap it

■ Is the Institute of Directors suffering from delusions of grandeur? Not only has it given itself a fashionable facelift by shifting its initials about, it has justified its move by saying that the new logo will be harder to forge than the old one. Now, there are letterheads that Observer might like to have access to, the Queen's, or the Chancellor's, for example. The IOD's notepaper happens not to be one of them.

Ticking trousers

■ Talk about red tape. A group of hacks wanting to visit the Sizewell B nuclear power station in Suffolk have been asked for their national insurance numbers. Apparently, the government's health and safety regulations require compliance.

But at least the visitors can hope to keep their trousers on, unlike a German doctor who visited Scotland's Dounreay power station recently. Unbeknownst to the poor man, his trews contained a drop of radioactive iodine used in treating a patient. Alarm bells rang and, since he was inside the plant, the regulations forbade his departing with radioactive material. He made his exit in a pair of Dounreay overalls.

'We knew we'd lost the cold war weeks before the west'

Wobbly chair

■ Whatever happened to Alan Wheatley, the former senior London partner of Price Waterhouse? Yesterday should have been his big day. Final confirmation came that 3i, the venture capital giant, is to be floated on the stock market and Tring, the budget CD company, made its stock market debut. By rights Wheatley should have been chairman of both companies.

However, Wheatley quit as chairman of 3i last April, after less than a year in the job, because 3i's planned stock exchange flotation had been delayed. In October he was tipped to be chairman of Tring, a budget CD and cassette group, which was planning to come to the market.

Once again he got cold feet after Tring was hit by a string of lawsuits alleging breach of copyright.

No doubt Wheatley – a non-exec of Forte, Babcock and Legal & General – had good reasons for standing down.

But if he really wants to make a name for himself as a company chairman he needs to stick with his charges through good times and bad.

Pawn cocktails

■ Labour's heroic struggle to win friends and influence people in the business community moved last night to the Pavilion restaurant in Soho, where a modest dinner – £20 a head – was hosted by Robin Cook, the party's irrepressible trade and industry spokesman.

Cook has agreed to become president of a new group, the Forum For Business and Industry. The forum says it will recruit some industrial big guns and act as a sounding board for Labour's nascent industrial plans.

More practically, it will also help foot the bill for the painstaking process of constructing policy.

Forum members will be expected to cough up £500 a year to help fund activities. So far 26 recruits have signed up; who they are is currently being kept under wraps. But perhaps a policy costing only £12,500 to develop is not much to shout about.

Tiny change

■ Is Tiny Rowland, 76, finally bowing out of Lonrho?

Reading the runes – ie Lonrho's latest annual report – one might think so. It lacks his usual statement and big picture at the start of the report. Retiring chairman, Rene Leclézio, has taken over the slot.

Could it be occupied next year by Rowland's joint chief executive, Dieter Bock?

For that to happen Rowland would have to be long retired.

Mistress mine

■ How do you win over a politically correct female arts graduate? You address her as a Spinster of Arts, of course.

Only problem is what you call her when she gets her MA . . .

FINANCIAL TIMES
Thursday February 24 1994

Conservatives' European allies commit to federalism and single currency

EU manifesto splits UK Tories

By Kevin Brown and James Blitz in London

The European People's party, the grouping that includes Britain's Conservative party, will call tomorrow for a federal European Union with a single currency and an independent central bank.

The group's manifesto for the European parliament elections in June was agreed three weeks ago, but has been kept secret to avoid embarrassing the Conservative party, which is deeply divided about the contents.

The manifesto will be released without fanfare in Brussels tomorrow. However, a French translation obtained by the Financial Times says that the EPP's member parties have decided "to make the process of European integration and unification proceed resolutely".

The manifesto says that economic and monetary union is "indispensable" to stability and prosperity, and that the Union is "incomplete" without the social chapter of the Maastricht treaty.

It also calls for a European constitution; cross-border policing; a common external frontier giving control of visas for non-Europeans to the Union; harmonisation of national governing political refugees; a common defence and security policy and stronger powers for Europe's parliament.

"It is only through a federal structure that the European Union can guarantee the respect and diversity of the national and regional identities and at the same time engender the common effort that is necessary to solve the problems of the future of Europe," it says.

Sir Norman Fowler, Conservative party chairman, said the party was not committed to the EPP manifesto. "We will be standing on a British Conservative manifesto," he said.

Officials also pointed out that Mr John Major, the prime minister, has secured an opt-out from some of the federalist elements of the manifesto, such as monetary union and the social chapter.

However, the EPP document will inevitably refocus attention on the party's unsuccessful attempts to paper over a deep split on Europe, which emerged during the debate on the Maastricht treaty last year.

Sir Teddy Taylor, a right-wing Conservative member of Parliament and a leading critic of the EU, said his party was "closely integrated" with the EPP, which orders its members along Westminster lines and has common spokesmen on departmental issues.

"It is quite clear that the EPP is setting out in detail the principles of a centralised socialist state in which a wide range of policies which have been condemned by the Conservative party are set out and developed," he said.

Conservatives launch Euro-poll campaign, Page 8

EU attempts to break impasse in Greece-Macedonia dispute

By Lionel Barber in Brussels

Mr Hans van den Broek, EU foreign affairs commissioner, will today attempt to break the impasse in the dispute between Greece and Macedonia which has triggered a political crisis in the European Union.

The Dutch commissioner will present a letter from President Kiro Gligorov of Macedonia to Mr Andreas Papandreou, the Greek socialist prime minister, offering to renew a dialogue with Athens over the disputed use of the name Macedonia.

Last week Greece, which holds the rotating presidency of the EU, ordered a partial trade embargo against the former Yugoslav republic. The ban left Athens politically isolated and blew a hole in the common foreign policy foreseen in the Maastricht treaty. Belgium joined the US and six other EU member states yesterday in recognising Macedonia.

Mr van den Broek's mission offers a slender hope of defusing the diplomatic dispute which centres on Greek claims that Macedonia's name, flag and constitution amount of a territorial claim on its own northern province of the same name.

Mr van den Broek said yesterday that two hours of talks with Mr Gligorov had been "very intense and productive". He declined to reveal the contents of the letter, but Macedonian officials said it offered to renew a dialogue under the aegis of the EU and the UN.

In Brussels there is some concern that Mr van den Broek's political mission could conflict with the Commission's legal role as guardian of the Treaty of Rome. Officials are irritated by Greece's delay in offering a written legal defence of last week's trade embargo, especially as it holds the presidency.

On Tuesday, Mr Jacques Delors, Commission president, set in motion steps to take Greece to the European Court on the grounds that the embargo violates the treaty's requirements for the free circulation of goods and for a common external trade policy.

The Greek government continues to cast the embargo in political terms. Mr Theodoros Pangalos, Greek minister for European affairs, told the European Parliament yesterday the embargo was designed to deal with "serious tension" along Greece's border with Macedonia.

Brussels diplomats are dismayed by Greece's failure to live up to earlier promises that Macedonia would not interfere with its presidency.

One Commission official said: "Everybody feels they have been deceived." Another pointed to Greece's public dissociation from EU and Nato threats to lift the siege of Sarajevo through force. "People are asking: whose side are they really on?"

Bosnians and Croats agree to ceasefire

Continued from Page 1

Zagreb with Mr Thorvald Stoltenberg and Lord Owen, the international peace negotiators.

The talks centre on Croatia and the Bosnian government agreeing to an eventual "confederation" for Bosnia, and in the short-term, securing ceasefires in central Bosnia and lifting the Croat siege of the city of Mostar in western Hercegovina.

US officials had hoped that Germany would play a greater role in persuading Croatia to pull its troops out of western Hercegovina. Yesterday Mr Mate Granic, Croatia's foreign minister, who held talks in Bonn with Mr Klaus Kinkel, his German counterpart, said Zagreb had withdrawn about 1,200 troops from western Hercegovina. But US officials said the pressure from Bonn was not enough.

The White House indicated that any agreement between the Croats and Moslems might be a way to isolate the Bosnian Serbs.

Paris may be sued over N-plant

By David Buchan in Paris

The French government could be sued for up to FFr18bn ($3bn) by three French, Italian and German utilities, Mr Gérard Longuet, industry minister, acknowledged yesterday. This follows its decision to use their Superphénix fast-breeder reactor for research into nuclear waste rather than to produce electricity.

Explaining the government's controversial decision, Mr Longuet said: "There is no good financial solution to this problem – stopping the reactor costs money, starting it costs money." He said France was not abandoning its lead over other countries in fast-breeder reactor technology, but for the time being it was more important to use the Superphénix for research into destroying plutonium waste rather than creating it.

Superphénix was conceived in the 1970s, and commissioned in 1986, to produce more plutonium byproduct than it took in from French nuclear power stations, in order to make France self-sufficient in nuclear fuel. But the fall in uranium prices, the availability of plutonium from decommissioned Russian nuclear weapons and the growing problem of plutonium waste from France's 56 reactors have persuaded the French government to try to turn Superphénix into a destroyer, not a creator, of plutonium.

Last month the French nuclear safety inspectorate said Superphénix, shut down since a July 1990 accident, could be restarted, but only at low power and provided work on its sodium cooling system was finished.

This decision appeared to have forced the government's hand, because the three partners in the Nersa consortium which runs Superphénix – Electricité de France, Enel of Italy and SBK of Germany – might have sued it for continuing the shutdown on political grounds.

But anticipating concern among the Nersa partners that they face no prospect of generating electricity from the reactor for some time, Mr Longuet said he hoped they would stay in the consortium to draw research from Superphénix's new use as a waste disposal prototype. Dismantling the reactor would cost the consortium FFr8bn-FFr10bn in addition to losing them their original FFr278bn in the ill-fated plant, Mr Longuet said.

EDF and Enel yesterday said they were still considering their reaction to the government decision. Ministers could put no figure on the cost of the new research programme.

Tokyo may suspend plutonium plan, Page 4

Split over EU trade access

Continued from Page 1

27 per cent in Spain want higher trade barriers.

The main points are:

- 40 per cent of respondents expect the European Union economy to contract this year, while 51 per cent expect growth of 1 per cent or less.
- Only 10 per cent expect to increase staff in 1994, with 45 per cent planning job cuts.
- British executives are less enthusiastic than their continental counterparts about deepening EU integration.
- 51 per cent of respondents think a single European currency would improve competitiveness.
- The "tiger" economies of east Asia, such as Korea and Taiwan, are seen as the greatest threats to European industry.
- Companies disagree on measures to stimulate economy.

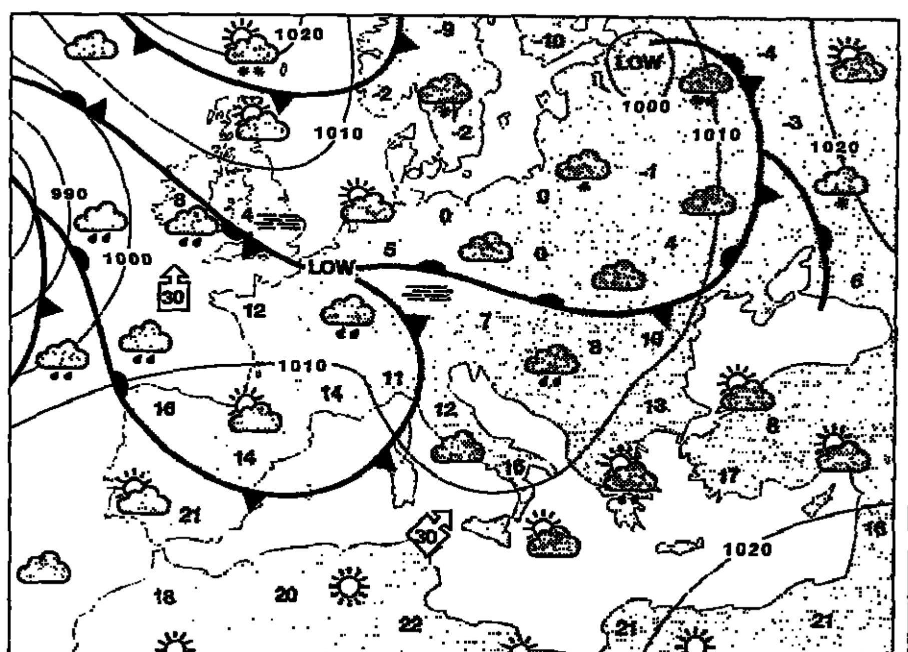
FT WEATHER GUIDE

Europe today

The northern UK, Germany and the Benelux will be cloudy with intermittent rain, sleet or snow. France will be cloudy with morning rain. North- west Spain will have showers but the south will stay sunny. Italy will have showers and the Balkans will be overcast with periods of rain. Eastern Europe will have a mixture of cloud and sun with snow flurries. Scandinavia will remain wintry. A low pressure system will cause widespread snow showers in northern Norway but the south will be dry with scattered cloud.

Five-day forecast

The UK will be windy and cloudy with outbreaks of rain. It will remain mild with even higher temperatures in Scotland. On the continent, the mild air will push further north, but should stall over Denmark. Scandinavia will stay wintry with falling temperatures. Southern Europe will be sunny and mainly dry but Portugal and western Spain will have showers, especially during the weekend.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius																
			Belfast	fog	5	Cardiff	drzzl	5	Frankfurt	rain	3	Malta	sun	19	Rio	fair	28
			Belgrade	cloudy	7	Chicago	snow	-3	Geneva	rain	8	Manchester	sleet	3	Riyadh	sun	27
Abu Dhabi	sun	28	Berlin	fair	-1	Cologne	rain	5	Gibraltar	sun	18	Manila	cloudy	30	Rome	fair	14
Accra	sun	33	Bermuda	fair	23	D' Salaam	cloudy	29	Glasgow	fair	3	Melbourne	rain	23	S. Frsco	cloudy	15
Algiers	fair	20	Bogota	cloudy	18	Dakar	sun	32	Hamburg	ice	-3	Mexico City	fair	28	Seoul	fair	4
Amsterdam	cloudy	4	Bombay	sun	31	Dallas	sun	17	Helsinki	cloudy	-10	Miami	sun	28	Singapore	cloudy	33
Athens	fair	16	Brussels	fog	6	Delhi	sun	27	Hong Kong	cloudy	16	Milan	hazy	11	Stockholm	cloudy	-4
B. Aires	fair	31	Budapest	cloudy	6	Dubai	fair	26	Honolulu	cloudy	27	Montreal	snow	-4	Strasbourg	rain	5
B.ham	fog	4	C.hagen	fair	0	Dublin	cloudy	6	Istanbul	cloudy	10	Moscow	snow	-2	Sydney	cloudy	20
Bangkok	fair	35	Cairo	sun	19	Dubrovnik	rain	13	Jersey	drzzl	8	Munich	cloudy	5	Tangier	fair	19
Barcelona	fair	17	Cape Town	sun	28	Edinburgh	fair	5	Karachi	sun	25	Nairobi	shower	28	Tel Aviv	fair	18
Beijing	sun	4	Caracas	cloudy	26	Faro	sun	17	Kuwait	sun	23	Naples	fair	15	Tokyo	fair	10
									L. Angeles	sun	20	Nassau	fair	28	Toronto	snow	0
									Las Palmas	sun	21	New York	shower	8	Tunis	fair	20
									Lima	fair	26	Nice	fair	15	Vancouver	shower	7
									Lisbon	fair	16	Nicosia	fair	17	Venice	shower	10
									London	drzzl	5	Oslo	fair	0	Vienna	cloudy	6
									Lux.bourg	rain	5	Paris	shower	10	Warsaw	fair	0
									Lyon	rain	12	Perth	fair	30	Washington	sun	14
									Madeira	fair	19	Prague	cloudy	2	Wellington	fair	18
									Madrid	fair	14	Rangoon	sun	33	Winnipeg	snow	-11
									Majorca	fair	18	Reykjavik	fair	-1	Zurich	cloudy	5

THE LEX COLUMN

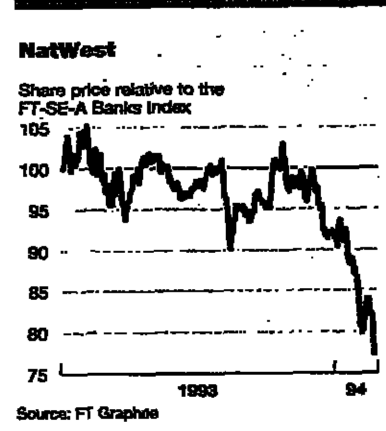
Defensive strategy

The surprise in British Aerospace's results yesterday was that there were no surprises. That was not because the company has been flouting the puritanical rules on disclosure post-LIG, but more that BAe seems to have broken with its long habit of producing dead rabbits from hats. Indeed, there were even some pleasant developments. The £128m turnround in Rover's underlying profits, while flagged at the time of the BMW deal, was rather lost in the hullabaloo. The figure is a credit to the transformation of the company, though BAe will no longer benefit from the work. And as it owes much to Land Rover, where sales rose by 30 per cent, it hints at some of the goodies BMW has in store.

Shorn of most of Professor Sir Roland Smith's distractions, BAe is left with two main challenges. Operating losses of £120m in turboprop aircraft this year, and perhaps £80m thereafter, need to be curbed. Finding a joint venture partner is a priority, though the worry must be that, with the market so poor, two badly bleeding operations may be merged into one badly bleeding operation. Grinding out defence profits from the order book is the other task, and while costs have been cut, the suspicion remains that there is more to go for.

From the market's perspective, the limited visibility of defence earnings and the uncertainty over margins are a concern. Since the company must also persuade doubters that it is not in the hands of a defence mafia, more detail on the business would serve both purposes. The greater the confidence in the exposed core of the company, the lower the discount the market will apply to those profits. Yet even given that healthy degree of scepticism, BAe's earnings prospects for the next two years imply plenty of upside for the shares.

FT-SE Index: 3341.9 (+8.2)



Source: FT Graphite

National Westminster

After TSB, Lloyds and Royal Bank of Scotland raised their dividends by 20 per cent or more, the stock market decided that a mere 6 per cent increase from National Westminster was stingy and marked the shares down accordingly. It would have cost only another £40m to increase the dividend by 20 per cent and cover would still have been close to 1.7 times. That NatWest chose to be cautious suggests both doubts of its own about growth and that it is still anxious to conserve its capital. Tier 1 capital has risen to 5.7 per cent from 5.2 but half the improvement was due to a £4bn drop in weighted risk assets.

Unlike Lloyds, which has plenty of capital and sees signs of a revival in loan demand, NatWest maintains that loan demand is sluggish. Were it to recover, the bank has ample scope to create new tier 1 capital by converting the exchangeable capital securities it issued last year. In that sense, it is simply being economic, operating flexibly with just enough capital to meet the needs of the moment. Such an approach would be laudable if it produced a high return. NatWest's net return on shareholders' funds is 10.8 per cent, half that of Lloyds.

It is difficult to see where the earnings will come from to boost that return. NatWest points proudly to the growing importance of non-interest income, but that is inevitable when interest income is falling. Since fee income is flat, the main driving force has been dealing profits and so-called "other" income, which includes a commendable contribution from insurance but a jumble of other items such as venture capital and securities gains. NatWest has scope to grow, for example, in its Coutts private banking division. The bank itself is talking of a "sensible" acquisition in the US. It would never make a foolish one, would it?

Commercial Union

It was understandable that CU should sing sweet lullabies to the market following the screaming that accompanied GRE's warnings of softening rates. But it is doubtful that CU's reassurances will be enough to reverse the sector's weakness. CU's figures confirm that private motor insurance may have peaked. But at least CU is in the enviable position that having gained market share in the upswing it can afford to lose volumes when rates turn down. The 18 per cent decline in fourth-quarter private motor premium income shows how quickly it has reacted.

In past cycles, weakness in one market has quickly spilled into others as insurers have sought to offset market share losses. CU suggests the motor sector is driving down its own by-way this time and that rates are still firming elsewhere. If so, it is difficult to believe that composite insurers are not undervalued. Motor insurance is a small proportion of overall business. CU is well capitalised following its rights issue, yields more than 5 per cent and has scope to maintain a progressive dividend policy. A strong life business adds another defensive dimension.

But such theoretical considerations will carry little weight with anyone other than value funds. The market's fears may be premature but they are not wrong. Even if it is shown that the market has over-reacted, it is unclear that CU will benefit. Legislative changes in the US are beginning to cast a worrying shadow.

UK gilts

After the turbulence of the last week, the Bank of England must be glad to have got yesterday's gilts auction away successfully. But if the cover of 1.5 times looks respectable, the six basis point difference between the average and the lowest accepted yield leaves room for doubt about the strength of demand. It looks as though cover was boosted by a number of rogue bids submitted on the off chance of picking up paper on the cheap.

With overseas demand at a low ebb, it did not help that the Chancellor's panel of independent advisers was lukewarm about further interest rate cuts on Tuesday. That sapped confidence at the short end of the market, while Mr Alan Greenspan's soothing words to Congress have not yet fully calmed sentiment at the longer end of international markets. At some stage, the positive fundamentals should draw buyers out again. After all, inflation is low and at least one more cut in UK rates remains in prospect. Gilts' 70 basis point yield premium over US Treasury issues is a good starting point for a recovery. But it may take a while to make itself felt.

FINANCIAL TIMES
COMPANIES & MARKETS
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IN BRIEF

Cost cuts save Mercedes DM1bn

Mercedes-Benz, saved DM1bn ($580m) in costs last year as a result of a new "partnership" with its suppliers, said a director of the German carmaker. However, the achievements were not enough to eliminate the German automotive industry's cost disadvantages compared with foreign , especially Japanese, manufacturers. Page 20

Munich Re in DM700m rights issue
Munich Re, the world's largest reinsurance company, is raising DM700m ($405m) through a deeply discounted one-for-eight rights issue. The group also announced that losses from mainstream reinsurance business in the year to June would be greatly reduced. Page 18

Mobile telecoms boost for Olivetti
Shares in the Olivetti computers and office equipment group rose sharply yesterday as investors reacted to its prospects of running Italy's second mobile communications network. Page 18

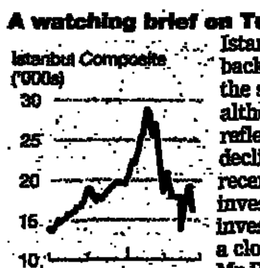
McDonnell Douglas hits acquisition trail
McDonnell Douglas, the US aerospace group, is seeking acquisitions to strengthen its core defence aerospace activities. "Our improved financial strengths means we can be a buyer again. That was not the case two or three years ago," said Mr John McDonnell, chairman. Page 20

CU rises to £211m
Commercial Union, the largest of the UK's composite insurers, underlined the recovery in the general insurance market by posting pre-tax profits of £211m for 1993, compared with £24m ($35m) last time. Mr Peter Foster, general manager finance, said the improvement was "substantially" due to rate increases. Page 22

Hanson prices its US sale
Hanson is to receive $232m from the flotation of Beazer Homes USA, which was priced yesterday, and the sale of property in Hawaii. Page 23

Wembley to sell assets
Wembley, owner of the famous London stadium, is expected to sell two of its largest assets this week in the US to comply with a banking deadline to cut borrowings by £40m ($59m). Page 24

A watching brief on Turkey



Source: Datastream

Istanbul has begun to claw back losses seen since the start of the year, although its volatility was reflected in a 5 per cent decline this week. With recent selling led by domestic investors, international investors have been keeping a close eye on developments. Mr Barton Biggs, Morgan Stanley's director of global strategy, reckons the time has now come to re-enter the Turkish equity market. Back Page

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Beiersdorf	847	+	22
Degussa	500	+	17.5
GEHE	545	+	30
Herlitz	442	+	21
Mercedes Hld	830	+	16
Falls			
Lahmeyer	703	–	12

NEW YORK ($)			
Rises			
Home Depot	41⅞	+	1⅞
First Inter	69	+	2¼
H Packard	93½	+	3¾
Lotus Dev	70¼	+	2
Finnboard	37¾	+	2½
Falls			
Sears	46½	–	⅝

New York prices at 12.30pm.

PARIS (FFr)			
Rises			
Bancaire Cie	650	+	14
Essilor Int	737	+	17
Eurafrance	2375	+	55
Redout	919	+	22
St Gobain	682	+	20
Falls			
SLIC	921	–	22

TOKYO (Yen)			
Rises			
Catalonic	533	+	18
Daikin Inds	810	+	40
Seitsu Corp	416	+	16
Sumitomo Chem	439	+	13
Falls			
Brother Ind	538	–	17
Central Glass	365	–	16

LONDON (Pence)			
Rises			
Carr's Milling	209	+	12
Copymore	103	+	12
Dawson Intl	182	+	7
Essex Furniture	281	+	10
Europe Energy	16	+	2½
Grand Met	461	+	12
Hunters Armley	223	+	15
Matthews (B)	113	+	5½
Mosaic Invs	32	+	5
PizzaExpress	140	+	6
Sainsbury (J)	357½	+	10½
Scottish Radio	626	+	36
Sedgwick	194	+	6
Falls			
Brit Thornton	139	–	21
Lincoln House	40	–	4
NatWest Bank	500½	–	31½
Rodime	34	–	2½
SEET	65	–	5
Tottenham Hspr	82	–	10

Foreigners may buy Hungarian power

By Nicholas Denton in Budapest

The Hungarian authorities yesterday cleared the way for foreign groups to acquire up to 100 per cent of the country's regional power distribution companies and conventional power stations, in eastern Europe's first electricity privatisation.

The five regional electricity companies (Recs) are capitalised at Ft240bn ($2.3bn), and the non-nuclear power generators are worth roughly Ft154bn, making this potentially the biggest privatisation so far in the region.

Interest in the Recs is expected primarily from Electricité de France, Germany's Bayernwerk and other west European utilities. Last year they made offers in a tender which was cancelled. Then only 15 per cent stakes in the distributors were offered.

AV RT, the state holding company, advised by London-based J Henry Schroder Wagg, said it had decided to structure the industry on the UK model, separating distribution, transmission and generation. Mr Lajos Csepi, AV RT chief executive, said it hoped to issue the first tenders for sale in April or May with a view to completion in the autumn.

The holding company said it planned to maintain 50 per cent ownership of the industry, based on nominal capital structure. To achieve this the government would control at least the nuclear power stations and the transmission grid.

Although foreign investors would have the theoretical right to take full control, the advisers cautioned that it was more likely that they would take "significant" stakes with the promise of management control. A "significant stake" is understood to be at least 30 per cent. Other tranches would be reserved for employees, partial stockmarket flotations and a scheme for smaller investors.

The $875m privatisation of Matav, the Hungarian telecoms company, is regarded as the precedent. Deutsche Telekom of Germany and Ameritech of the US own 30 per cent of Matav but the western consortium has a decisive vote on Matav's operating committee.

The timetable depends on the enactment in March of an electricity bill before the Hungarian parliament and subsequent price regulation. Mr Csepi said that a price rise of 50 per cent was needed to provide an adequate return on investment.

Contracts to be renegotiated despite cutting of equity link

Honda keeps Rover projects

By Kevin Done,
Motor Industry Correspondent

Honda, the Japanese carmaker, intends to continue its current projects with Rover Group, despite planning to sever its equity link with the UK concern.

But it has told BMW, the German carmaker which is acquiring Rover from British Aerospace, that it wishes to renegotiate all Honda/Rover contracts.

Honda is expected to seek a significant increase in its licensing royalties and components prices in return for continuing the series of agreements which underpin more than two-thirds of Rover's current car production. The renegotiation would involve the Rover 200, 400, 600 and 800 series and threatens to reduce the profitability of the Rover business. Honda supplies around 8 per cent of Rover's materials and components.

It is understood that Honda's assurance that it intended to continue all "present and presently planned projects" was given by Mr Nobuhiko Kawamoto, Honda president, when he met Mr Bernd Pischetsrieder, BMW management board chairman, last Monday. Publicly Honda has said only that it intended to withdraw from its 20 per cent equity holding in the Rover vehicle operations.

The assurance appears to calm fears that the BMW takeover of Rover could lead to significant disruption of production at Rover's UK plants. BMW is paying £800m ($1.2bn) for 80 per cent of Rover, and assuming Rover net debt of £200m and off-balance sheet funding of £700m.


AP
Nobuhiko Kawamoto, president: Honda wished to continue all 'present and presently planned projects'

The German group believes that the assurance also means that Honda will press ahead as planned with the HH/Theta project to develop a new generation of cars to replace the Rover 200/400/Honda Concerto sister cars.

This project is well advanced, and the Honda version of the new car is due to enter production in the autumn at the Japanese carmaker's plant in Wiltshire. Rover will start production of its version of the family car shortly afterwards.

Many components suppliers to Honda and Rover are at an advanced stage in tooling up and preparing to supply parts for this new car range – the most important volume car in the Rover line-up – and any delay or postponement would have been highly disruptive.

While Honda is expected to adopt a tough stance in the contract re-negotiations, BMW will be able to use the lever that the Rover business is also a very profitable part of the Japanese carmaker's worldwide operations.

It is estimated that the Rover business contributes pre-tax profits of around £100m to Honda.

BMW's purchase of Rover is expected to be completed shortly after a meeting of BAe shareholders on March 15.

Mr Martin Bangemann, European Union industry commissioner, yesterday indicated that the Commission was unlikely to intervene. Formal Commission approval is also expected by mid-March.

● BAe said yesterday that the Rover vehicles business had achieved a £128m turnround in 1993 at the trading level before taking into account exceptional items. Rover's profit before interest, but including exceptional items, rose to £56m last year from a loss of £49m. The Land Rover four-wheel drive vehicle operations accounted for the lion's share of the profits.

BAe lifts payout on lower losses

By Paul Taylor in London

British Aerospace yesterday reported a sharply reduced £237m ($346m) pre-tax loss for 1993 reflecting lower exceptional costs together with a return to profits at the operating level. The pre-tax loss, which compares with the group's record breaking £1.2bn deficit in 1992, was struck after £308m of exceptional charges including a further £250m provision to cover potential losses on aircraft financing leases. The 1992 results included £1bn of exceptional charges.

Despite the continued losses, the board signalled its confidence in the future by proposing an increased final dividend of 5p (4p) making 8.3p for the year, up 19 per cent. The group's shares closed up 9p at 549p.

Mr John Cahill, BAe's outgoing chairman, said 1993 had marked "a turning point" with real progress made towards re-focusing the group on its strengths in defence and aerospace, including the recently announced sale of Rover Cars to BMW.

Over the past year BAe has also sold its Corporate Jets business and the Ballast Nedham group of construction companies.

Mr Cahill, who is stepping down after only two years of his five-year term and will be replaced by a part-time non-executive chairman, Mr Bob Bauman, said BAe "has made the culture change from a 'cost plus' to a 'cost conscious' company."

Excluding provisions, the group posted a £229m operating profit compared with a £66m loss the previous year on sales which increased by 7.85 per cent to £10.8m.

The turnaround at the operating level was led by the motor vehicle operations which turned a £49m loss in 1992 into a £56m profit last year on sales which rose by almost 17 per cent to £4.3m.

The other highlight was a halving of the losses on commercial aircraft operations which fell from £337m to £162m on sales which grew to £1.58bn (£1.49bn.)

Mr Dick Evans, chief executive, said that despite the stalled talks with Taiwan Aerospace over a regional aircraft joint venture, the main objective of the regional aircraft operations continued to be to position both the Jetstream and Avro businesses into international groupings to reduce risk and enhance market access.

Mr Evans added that it had been "a good year" for Airbus in which BAE has a 20 per cent stake. He said the European aircraft manufacturer moved into profit in the 1993 second half helped by a richer mix of sales.

The core defence operations turned in another solid performance contributing £345m (£352m) to profits on flat sales of £3.96bn (£4bn) while increasing their order book by £1.7bn to £8.8bn.

Interest charges increased from £126m to £186m, including £20m of interest cost on exceptional provisions. After tax of £6m (£272m) and minorities of £17m (£41m), the net loss was £214m (£888m.) However the larger than expected £326m operating cash inflow enabled BAe to end the year with reduced net debt of £165m (£257m) representing gearing of 9.9 per cent. Shareholders funds fell to £1.51bn (£1.78bn.)

Lex, Page 16

Lonrho four to receive £2.4m

By Roland Rudd and Robert Peston in London

Payments totalling more than £2.4m ($3.5m) are being paid to four Lonrho directors, aged between 64 and 77, who are leaving the international trading group's board.

In a highly unusual compensation package, the company is asking shareholders to approve payments of £772,624 each to Mr Paul Spicer and Mr Robert Dunlop, both deputy chairmen, aged 64 and 66. Meanwhile, the 74-year-old chairman Mr Rene Leclézio will receive $732,000 (£491,000) and £120,000 in other payments. Sir Peter Youens, 77, gets £300,000.

The payments are bigger than each director's one-year contractual entitlement because no director can be removed from the board without its unanimous consent. In other words, a director can only be removed with his consent.

Lonrho's accounts, published yesterday, also disclose that the group's 76-year-old founder and joint chief executive, Mr Tiny Rowland, who has no plans to retire, received remuneration last year totalling £1.62m ($1.65m).

The payments to the four directors are bigger than expected because each will remain a director of a Lonrho subsidiary until December 31, 1998. Their remuneration for these directorships is part of their packages.

Mr Dieter Bock, joint chief executive with Mr Tiny Rowland, believes the payouts are justified because it gives him control of the board. The four are closely identified with Mr Rowland, who has resisted some of Mr Bock's plans to transform Lonrho into a more orthodox company.

A spokesman for Mr Bock said: "There is nothing to explain about the payments which represent two years' salary. The four will remain directors of a subsidiary they have been closely identified with."

Lonrho's institutional investors have already indicated to Mr Bock that they will support the compensation arrangements. One of the company's biggest shareholders said: "Lonrho is proposing to pay out a huge amount of money to persuade old directors to step down when the retiring age of directors at most companies is 65. However, in these circumstances we believe it still represents good value for money."

Fall in bad debts helps NatWest surge to £989m

By John Gapper,
Banking Editor

A 30 per cent fall in provisions for bad and doubtful debts to £1.26bn ($1.83bn), from £1.79bn, allowed National Westminster Bank to raise pre-tax profits sharply last year, despite a reduction in income from lending.

Britain's second biggest bank showed the pressures on high street banks' lending business, even though non-interest income was boosted by capital markets and foreign exchange trading, as well as by heavy sales of life insurance policies.

Although pre-tax profits surged to £989m from £367m in 1992, the trading surplus of income over expenses rose only 9 per cent to £2.4bn, against £2.2bn. Lord Alexander, NatWest chairman, said this was achieved through tight management of costs and efforts to diversify sources of income. "The going has been a lot tougher" in the UK branch banking operations, which returned to a profit of £180m, compared with a £137m loss. He anticipated that lending would "remain subdued for some time."

Net interest income fell by 2 per cent to £3.68bn, partly because the net interest margin on assets narrowed from 3 per cent to 2.8 per cent. Increased competition for domestic savings contributed to the fall in the margin.

The return on ordinary equity rose to 10.8 per cent, against 3 per cent, although the bank's stated target is 17.5 per cent.

Lord Alexander said the return on equity was inadequate. The bank was confident that it could reach its target rate, but it might have to consider reducing that target if UK inflation and interest rates remained low.

The most profitable business sector of the bank was NatWest Markets, its corporate and investment banking arm, which made a profit of £453m, against £232m. There were record profits in capital markets.

NatWest Life, the life insurance subsidiary, contributed £80m to profits, while Lombard North Central, the assets and personal finance arm, increased profits to £178m.

NatWest raised its total dividend by 6 per cent to 18.5p, with a final payout of 12.1p, up from 11.375p. Earnings per share advanced from 10p to 35p.

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Restructuring costs force Mitsubishi to cut forecast

By William Dawkins
in Tokyo

Mitsubishi Corporation, Japan's largest trading group, yesterday cut its profits forecast for the current year because the restructuring it announced last year would cost much more than expected.

Recession in Japan has also affected trading.

The group warned that it expected net income to fall to a mere Y3bn ($27.77m) in the year to March, from Y15.3bn.

It had previously forecast only a small reduction to Y15bn this year, its third annual profit decline.

The main reason is Y80bn of provisions for selling or closing unprofitable businesses identified in a review of its 600 subsidiaries and affiliates.

Mitsubishi said this compared with Y66bn of provisions in 1992-93 and would enable the group to start the coming year with a clean balance sheet.

Some of the businesses Mitsubishi bought during its investment excesses in the late 1980s have turned sour, a problem faced by several leading Japanese companies during this recession.

Mitsubishi Corporation, which includes oil and fuels, heavy industrial goods, metals and textiles, is one of several of Japan's keiretsus – families of companies linked by equity cross-holdings – to reassess their alliances in the light of recession.

Last year the group disbanded its capital markets division and reorganised 20 to 30 companies including clothing suppliers in Italy and chemicals interests in Indonesia.

The economy is still difficult and management will continue to monitor asset quality, said Mitsubishi.

Mitsubishi said capital gains on the sale of securities would cover some of the restructuring charges.

It expected annual turnover to be unchanged Y14,000bn and planned to maintain the annual dividend at Y8 per share.

SMH advance slows to 7% as sales remain flat

By Ian Rodger in Zurich

SMH, the leading Swiss watchmaking group forming a joint venture with Mercedes-Benz of Germany to build an environmentally friendly city car, has reported 1993 net income of SFr440m ($297.2m), up 7 per cent on 1992.

The rise was much smaller than in 1991 and 1992 when the group, known best for its Swatch watches, recorded rises of 32 per cent and 64 per cent respectively. Sales last year were flat at SFr2.86bn.

The group described the results as "favourable" and said they were achieved in spite of currency losses and largely unchanged end-user prices in soft currency countries.

The directors propose to increase dividends from 18 per cent of par value to 20 per cent.

Shares in SMH, which revived the Swiss watch industry in the early 1980s, have been highly volatile recently as investors worried that the growth potential of the watch business and other ventures, such as Swatch telephones, was fading.

Also, the withdrawal in December of Mr Stephan Schmidheiny, a Swiss financier, from the group that holds the controlling shareholding in SMH, unnerved investors.

For a long time, there has also been uncertainty about the so-called "Swatchmobile" project. Mr Nicolas Hayek, SMH chairman, had long talked about launching a revolutionary small, environmentally friendly car that SMH had developed. Prior to reviving SMH, he spent most of his time as an independent consultant to the automotive industry.

He saw the car as an "emotional product," much like a watch, and felt that his experiences of both the car and watch industries qualified him to make it a success. However, an attempt to form an alliance with Volkswagen to build the car collapsed last year.

Mr Hayek has kept details of the project secret, but according to various reports, the Swatchmobile will be 2.8 metres long and have an aluminium body and a hybrid petrol and electric engine.

News of the venture with Mercedes has pushed up SMH shares. In the past two sessions, the bearer shares have gained 8 per cent to SFr1,004.

Banesto rescue calls for equity dilution

By Tom Burns in Madrid

Banesto, the ailing Spanish financial group, is to call an AGM on March 26 at which shareholders will be asked to accept a considerable dilution of their equity as part of a rescue plan.

A company spokesman said that Mr Alfredo Saenz, the caretaker chairman who negotiated the rescue with the Bank of Spain and the main domestic banks, was "reasonably confident" that he would obtain sufficient backing for the plan among the bank's 272,000 shareholders next month.

However, Mr Saenz could encounter opposition from Mr Mario Conde, Banesto's former chairman who was replaced with the rest of Banesto's directors when the authorities intervened at the end of last year, and from a number of ex-members of the bank's board.

Mr Conde and the former board could control up to 20 per cent of the bank's share capital.

The most controversial suggestion in the plan is a 43 per cent write-down of the nominal value of Banesto shares from Pta700 to Pta400, to help Banesto absorb over-valued assets estimated at Pta605bn ($4.3bn).

The spokesman said there had been "ample conversations" with the Corsair Fund, which owns nearly 8 per cent of the bank's equity, but it was still not certain whether Mr Saenz could count on Corsair's support.

If the AGM accepts the cut in Banesto's share value, the deposit guarantee fund, which is financed by the domestic banks, will inject Pta180bn fresh capital into Banesto in the form of a share placing, paying the new nominal value of Pta400 a share.

The placing will make the guarantee fund the owner of nearly 75 per cent of Banesto's reconstituted capital, and the fund will subsequently auction its equity to a strategic domestic buyer – either an individual bank or a pool of banks.

Mobile telecoms boost for Olivetti

By Haig Simonian in Milan

Shares in the Olivetti computers and office equipment group rose sharply against the trend yesterday as investors reacted to its improved prospects of running Italy's second mobile communications network.

Olivetti stock jumped L55 to close at L2,359 following this week's news that Pronto Italia, one of the three bidders for the cellular licence, was joining forces with the Olivetti-led Omnitel consortium.

The move by Pronto Italia, an alliance of Germany's Mannesmann and Pacific Telesis of the US with a group of Italian banks and medium-sized companies, reduces the contest to a two-horse race.

The other contestant is Unitel, a consortium combining Fiat, Mr Silvio Berlusconi's Fininvest media empire and Vodafone of the UK. In January, Etra, the fourth serious bidder, dominated by subsidiaries of the state-controlled Eni energy and chemicals concern, joined forces with Unitel.

Pronto Italia's decision has been seen as a big boost for Omnitel, which has been pushing strongly for the licence. Italy is now Europe's third biggest cellular communications market after the UK and Germany, with about 1.2m subscribers

Demand might have increased even faster had Italy's anti-monopoly authorities not stopped the state-controlled Sip telephones utility from soliciting new subscribers. Sip monopolises the existing analogue network and had started experimental services with a system based on the new Europe-wide GSM digital network standard when it was told not to solicit for GSM business.

The ban followed a European Union ruling demanding an end to state monopolies in mobile communications and the introduction of private sector competition. After some delays, the decision to break Sip's monopoly is now moving ahead in earnest.

The latest jockeying for position among the contestants comes ahead of a March 1 deadline for final proposals. Bids will then be put to the team of consultants and bankers commissioned by Italy's posts ministry to assess the plans. A winner is expected to be named by the end of April.

That deadline is by no means certain, however. Should a choice not be made in time, the prospect of a new government after the March 27 general election could tempt the existing government, which will stay on as caretaker until a new administration is sworn in, to put off a decision. Postponement has its merits; choosing a winner is a political minefield given the prestige and political clout of the companies involved.

Mr Maurizio Pagani, the post minister, indicated earlier this month that a choice could come before the end of April if ministry specialists found that one bid was patently superior to the others. A finely-matched contest, on the other hand, would make the decision that much harder, he implied

Analysts are unable to pinpoint a clear front runner on either technological or financial grounds. Although each of the consortia has tried to distinguish itself from its rivals, all have stressed their avant-garde technology, experience, financial muscle and marketing and distribution skills.

However, this week's apparent boost to Omnitel does not leave Unitel entirely down and out. Within minutes of the news, it responded by announcing a deal with IBM's Italy-based regional headquarters to develop and use special IBM software for its new network. Although IBM is not taking a stake, the association of such a prestigious name with Unitel was seen as a speedy attempt at limit the damage of the surprise Pronto Italia-Omnitel alliance.

SKF posts return to the black

By Christopher Brown-Humes in Stockholm

SKF, the largest maker of ball and roller bearings, signalled it had turned the corner to better times yesterday when it announced its first quarterly operating profit for two years and sharply reduced losses for 1993.

The group made a SKr40m ($5.04m) profit after financial items in the last three months of the year, reversing a SKr1.42bn deficit in the same 1992 period. This reduced losses for the full-year to SKr669m, compared with SKr1.77bn in 1992.

The group predicted a profit for 1994, helped by improving market conditions and the benefits of cost-cutting. It noted that the European market, which accounts for 60 per cent of sales, was picking up, even though the German and French markets remain weak.

The weaker krona enabled the group to raise 1993 sales by 10 per cent to SKr29.2m from SKr26.6m. Adjusted for disposals and currency factors, sales fell 4 per cent because increased demand for the group's products in North America and the Asia Pacific region was unable to offset weak trends in Europe.

The group was badly hit by the downturn in Europe's car industry, its most important customer segment, although it noted that its own sales fell less than the overall 15 per cent decline in car sales.

At the operating level, profits amounted to SKr97m, compared with a SKr1.18bn loss in 1992. However, financial expenses increased to SKr766m from SKr592m as the weak krona increased the cost of financing foreign currency loans.

The group's main bearings and seals unit cut losses sharply to SKr329m from SKr1.26bn as sales rose to SKr27.2bn from SKr22.7bn. There was also a reduced deficit at Ovako Steel, where losses fell to SKr351m from SKr442m despite a 6 per cent drop in sales to SKr2.89bn.

The loss per share before extraordinary items was SKr5.70, compared with SKr13.20 in 1992.

Munich Re to raise DM700m

By David Waller in Frankfurt

Munich Re, the world's largest reinsurance company, is raising DM700m ($397.7m) through a deeply discounted one-for-eight rights issue. The group said funds from the issue would bolster its financial position.

While announcing the issue, Munich Re predicted losses from mainstream reinsurance business – before investment income – in the financial year to June would be reduced. Although there had been abundant natural disasters in 1993, the knock-on effect on the reinsurance industry had been less severe than in previous years, the group explained.

Growth in premium income during the financial year to June 1994 would be in the region of 10 per cent, the same as in the past two years. It said it was too early to judge the precise level of overall profitability for the group but was confident that investment income would again compensate for underwriting losses.

This would enable last year's dividend of DM11 per share to be matched, Munich Re said. Last year underwriting losses rose to DM1.27bn from DM1.12bn but after investment income, net earnings climbed to DM287m from DM278m. Premium income rose to DM25.56bn from DM23bn.

The new shares are priced at DM800, a discount of about 75 per cent. The shares closed down DM20 at DM3,020 yesterday.

Each new share comes with a warrant attached and four of these will allow the shareholder to subscribe for one further Munich Re share at an exercise price of DM2,650. The warrants may be exercised between July 4 this year and March 13 1998.

Portuguese bank falls 42% to Es8.1bn

By Peter Wise in Lisbon

Banco Portugues de Investimento (BPI), Portugal's leading investment bank, registered a 42 per cent drop in consolidated net profits last year, compared with 1992, to Es8.1bn ($46m).

Mr Artur Santos Silva, BPI president, attributed the fall in profits to a 29 per cent reduction in the margin between loans and deposits, and a substantial increase in provisions from Es3.8bn in 1992 to Es8.3bn last year.

Swedish forestry group moves ahead

By Hugh Carnegy in Stockholm

AssiDomän, a newly formed state-owned Swedish forestry group due to be partly privatised next month, yesterday reported a 1993 profit after financial items of SKr983m ($124m), more than two times the 1992 result of SKr310m.

The government is aiming to raise up to SKr9bn through an offering of 49 per cent of the company. AssiDomän, formed at the start of this year from the two companies Assi and Domän, is the fourth-largest Swedish forestry group and one of Europe's top 10.

It intends to bid for another 51 per cent state-owned Swedish forestry group, Ncb, following completion of the partial privatisation. Analysts said the result was ahead of previous expectations of a profit after financial items of about SKr700m. Turnover of SKr12.4bn was 9 per cent ahead of the 1992 figure of SKr11.4bn.

AssiDomän included an extraordinary charge of SKr791m, to leave a pre-tax profit of SKr192m, compared with a loss of SKr141m in 1992.

Jyske Bank plans to resume payouts

By Hilary Barnes in Silkeborg

Jyske Bank, Denmark's fourth largest bank, is planning to pay a dividend of DKr8 per share for 1993 after reporting a net profit of DKr443m ($65.73m) compared with a 1992 loss of DKr913m. No dividend was paid for 1992.

Financial income increased strongly to DKr2.95bn from DKr1.82bn, boosted by last year's increase in the value of bonds and shares.

Costs were stable at DKr1.46bn, while bad loss provisions were cut to DKr844m from DKr1.26bn. Operating profit, before extraordinary costs of DKr131m, was DKr584m, a return of 15.6 per cent on equity, against a 1992 loss of DKr916m.

The bank broke new ground for disclosure by Danish banks by publishing the accumulated sum of its provisions. This amounted to DKr1.7bn, or 4.56 per cent of loans and guarantees, while non-performing credits were DKr1.53bn, or 4.10 per cent of loans and guarantees.

The balance sheet total was DKr56bn at the end of last year and capital adequacy ratio 10.9 per cent, including an 8.1 per cent tier 1 ratio.

UK banks to sell third of stakes in 3i

UK banks are aiming to sell about one third of the shares they own in 3i, Europe's largest supplier of venture capital to unquoted companies, the group confirmed yesterday, writes Richard Gourlay in London.

Mr Ewen Macpherson, 3i chief executive, said the sale would raise up to £500m ($730m).

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INTERNATIONAL COMPANIES AND FINANCE

Fletcher Challenge sharply up

By Terry Hall in Wellington

Fletcher Challenge, the New Zealand-based forestry, energy and construction company, yesterday reported sharply higher group profits for the six months to end-December as a substantial restructuring led to exceptional gains in revenue.

Consolidated group pre-tax profits rose to NZ$442m (US$255m) from NZ$76.5m in the same period last year, on turnover down 13 per cent to NZ$4,313m from NZ$4,949m. Earnings per share were rose to 35.3 cents from 7.9 cents.

The restructuring included a series of asset sales and the partial sale of the company's forestry division, which led to abnormal gains of NZ$360m.

Mr Hugh Fletcher, chief executive, said that in the half year the company finalised five major sales, raising NZ$2.4bn, although payment for a number of these items was not received during the period.

Fletcher Challenge floated the former stock and station agent Wrightson, and its retail property company, St Lukes, on the New Zealand stock exchange. Various Canadian assets were floated, and the company also sold its interest in Fletcher Challenge Canada and completed the sale of Methanex, the world's largest methanol maker, to Canadian interests.

But immediate prospects for cash flow and earnings were difficult, reflecting problems in world commodity products.

Sir Ron Trotter, chairman, said half-year earnings were in line with expectations – the success of the restructuring had been offset by deteriorating prices in many of the group's international product markets. He expected operating profits to be slightly higher in the second half.

Sir Ron said that the restructuring had led to an improvement in the balance sheet, cutting the company's debt-to-equity ratio to 42.5 per cent from more than 60 per cent 18 months ago.

The group's earnings after tax, excluding abnormals, were NZ$142m compared with NZ$98.4m. Earnings after abnormals were NZ$492.1m against NZ$153.5m.

Sir Ron said future dividends will carry full imputation for New Zealand residents, who will receive a tax-free dividend of 6.25 cents a share, and 3 cents for each Forestry Division share.

The restructuring has created three sets of financial results, with the formation of two subsidiaries, Fletcher Challenge Ordinary Division and Fletcher Challenge Forests Division, which have their shares listed in New Zealand, New York, London, Australia and elsewhere.

Shell and Unilever in Indian joint ventures

By Stefan Wagstyl and Shiraz Sidhva in New Delhi

Two Anglo-Dutch groups have announced plans for joint ventures in India.

Royal Dutch Shell, the Anglo-Dutch oil concern, is returning after an absence of 17 years with a joint venture for the production and marketing of lubricant oils.

Shell, which left India in response to Mrs Indira Gandhi, the former prime minister's autarchic economic policies, is taking a 51 per cent stake in a Rs1.3bn ($41m) venture with Bharat Petroleum, the Indian state-owned oil company.

Shell brand products went on sale yesterday at 250 garages in northern and western India. The company hopes to expand across the country and estimates the Indian market for lubricant oils to be worth Rs40bn a year.

Other international oil groups which have taken advantage of the government's economic liberalisation to re-establish themselves in India include Mobil and Pennzoil, the US groups.

Hindustan Lever, the Indian subsidiary of Unilever, the Anglo-Dutch consumer products group, yesterday announced a 50-50 joint venture with Kimberly-Clark of the US, to manufacture personal care products in India.

Kimberly-Clark Lever the new company, will invest $10m in a plant in the state of Maharashtra to manufacture disposable nappies and feminine care products. The plant will employ 100 people and go into production in 1996.

Hindustan Lever said the company would use its Indian sales force to market the new products, with Kimberly-Clark contributing its brand-name and technological expertise.

India's burgeoning middle classes provide an untapped market for personal products, which are still considered luxury items, and not the necessities they are in the West. The opening up of the economy has widened the market, giving Indian consumers a choice for the first time in 40 years.

Pioneer pushes ahead to A$73.6m at halfway mark

By Nikki Tait in Sydney

Higher first-half profits from its core building materials and products division offset lower earnings from petroleum refining at Pioneer International, and allowed the Sydney-based group to report a 15.2 per cent increase in after-tax profits in the six months to end-December.

Pioneer said that it made A$73.6m (US$52.9m) in the period, compared with A$63.9m previously, on sales of A$2.84bn, against A$2.65bn.

Operating profits were little changed overall, at A$159.4m compared with A$156.5m a year earlier.

However, this conceals a sharp improvement in the building materials and products business, where earnings before tax and interest rose by 45 per cent, to A$120m.

Major contributions came from Australian interests, at A$67.5m up 44 per cent, Europe, also up 44 per cent to A$34.5m, and the US, rising 103 per cent to A$22.1m. The Asian operations, by contrast, registered a loss of A$4.1m, largely due to a fall in concrete prices in Hong Kong.

The pre-interest contribution from Ampol, the company's petroleum products subsidiary, fell 27 per cent to A$63.7m. Pioneer blamed a stock loss of A$13.2m, resulting from falling crude oil prices. Excluding the stock loss, profits would have fallen by around 12.4 per cent, on a 6.4 per cent sales increase.

Looking ahead, Pioneer said that it expected that the full-year contribution from the building materials side would be satisfactory, with a growing contribution from its Asian and Eastern Europe operations over the next 12 to 18 months.

But it warned that the petroleum activities "remain extremely difficult with continued discounting in the retail petroleum market and a further deterioration in the international refiner margins over the past two months".

Australian insurer ahead at midterm

By Nikki Tait

QBE Insurance Group, the Australian general insurer, yesterday reported net profits of A$32m (US$44m) before unrealised investment gains in the six months to end-December, up from A$26.5m in the year-earlier period.

Adding in the unrealised investment gains of A$76.9m, compared with a loss of A$17.2m last time, group profits surged to A$108.8m from A$9.25m. Gross earned premiums in the period were A$599.9m, compared with A$469m a year ago.

QBE said that the profits increase resulted from improved claims ratios in all its divisions, and better expense ratios in the reinsurance and international primary insurance sectors. The investment gains followed a sharp rise in the value of the company's equity portfolio.

QBE's directors have a preferred method of accounting for unrealised investment gains, which involves spreading these over seven years. While acknowledging this does not comply with local accounting standards, they yesterday published figures using this alternative approach. These showed net profits, after the smoothed investment gains, of A$40.1m compared with A$30.2m last year.

APN posts 31% increase

By Nikki Tait

Australian Provincial Newspapers (APN), Mr Tony O'Reilly's Australian newspaper group, yesterday reported after-tax profits of A$16.3m (US$11.7m) in the year to end-December, up from A$12.4m in the previous 12 months. Revenues increased from A$143.3m to A$134.3m.

Mr O'Reilly, chief executive of US food group Heinz, is chairman of the Dublin-based Independent Newspapers of Ireland, which this week moved to raise its stake in Newspaper Publishing to nearly 30 per cent. Newspaper Publishing owns Britain's Independent and Independent on Sunday titles.

In part, the improvement in Australia was due to lower finance charges. Interest paid and borrowing costs were A$6.32m, compared with just over A$12m the previous year, although interest received also dipped from A$1.06m to A$496,000. "APN did not float until May 1992, and consequently the group had a substantially higher average debt level in the first half of 1992," said the company.

However, operating earnings before interest also rose, from A$31.2m to A$34m. During the year, APN acquired the Peter Isaacson publishing house in Melbourne, and expanded its titles. The company, whose regional publications are principally in Queensland and New South Wales, described the performance as "creditable".


'Creditable' performance down under for Mr Tony O'Reilly

Dyno almost doubles profits

By Karen Fossli in Oslo

Dyno Industrier, the big Norwegian explosives and chemicals producer, yesterday reported 1993 pre-tax profits almost doubled as sales advanced 10 per cent, helped by acquisitions, stronger chemicals operations and firmer south-east Asian markets.

Nevertheless, the board proposed to leave the 1993 dividend unchanged at NKr2 a share.

Group pre-tax profit rose to NKr307m ($41m) from NKr161m, as sales increased by NKr745m to NKr8.23bn. Operating profit rose to NKr414m from NKr329m.

Operating expenses increased by NKr612m to NKr7.3bn, as depreciation rose by NKr48m to NKr514m.

Mr Arild Ingierd, president, said the result was acceptable but not satisfactory, and noted that the plastics division is operating at a loss due to high investment costs for equipment needed to escalate deliveries of plastic fuel tanks.

Gains of NKr55m on securities in 1993 were achieved, against losses of NKr32m in 1992.

Dyno said that about 85 per cent of its operations are now based outside Norway. It anticipates continued growth in south-east Asia, but North American and European markets still suffer from excess capacity and tougher competition.

SA engineer edges ahead

By Matthew Curtin in Johannesburg

Contracts related to three large capital projects and exports to China helped Murray & Roberts (M&R), the South African engineering and construction group, offset difficult local trading conditions in the half-year to December 1993. Pre-tax profit edged forward to R180m ($51m) from R178m in 1992.

Sales climbed 13 per cent to R3.7bn, as the group's engineering and materials divisions picked up work on the Alusaf smelter expansion, Columbus Stainless Steel expansion and Nawakwa Sands projects. Mr Andre van der Colff, chief executive, said M&R would reap the full benefit of its involvement in the projects by the year-end.

He said the group continued to export successfully, supplying engine blocks to Volkswagen South Africa for a R900m order from China, valves for a Hong Kong/China water pipeline, and seatbelts for a US motor manufacturer.

M&R's exposure to reconstruction spending has made its shares popular among foreign investors buying South African equities. The shares closed unchanged at R84.75 yesterday, near their R86 high 10 days ago.

Income before interest and depreciation charges rose to R377m from R340m, before higher interest payments of R60m against R43m. A lower tax bill flattered after-tax income, but distributable profit slid to R107m from R111m. Earnings fell 3 per cent to 171 cents from 177 cents a share.

Mr van der Colff said despite falling operating margins, tight cost controls were improving the group's cash generation – operating cash flow per share rose to 383 cents from 255 cents – which lay behind the decision to increase the interim dividend by 2 cents to 58 cents. It would be an "exceptional" achievement, given South Africa's unsettled political and economic climate, for the group to claw back the earnings decline by the year-end.

No public aid for Santana Motor

By Tom Burns and David White in Madrid

The Spanish government yesterday ruled out taking a shareholding in Santana Motor, following a threat by the company's Japanese parent, Suzuki, to close its main Spanish factory unless it received financial support.

The industry ministry said state investment in Santana, which filed for receivership at the weekend, was out of the question. A spokesman said such a move would prompt a rush of similar requests. "The queue would never end," he added.

The government position echoes the stand it took last year when Volkswagen, of Germany, asked for public money to shore up its Spanish offshoot Seat, now in the throes of a drastic restructuring.

The ministry, which began talks with management on Monday, said it had received no official word about the company's intention to close the four-wheel-drive vehicle plant at Linares in southern Spain, which employs 2,400.

Santana, 82 per cent owned by Suzuki, told employee representatives and unions it would be "very difficult" to keep the main manufacturing activities.

Santana said it had accumulated losses of Pta21bn ($149m) in the last three years. Unless "third parties" met its financial requirements it would be obliged "to take the measures that the law permits under such circumstances".

Mercedes saves DM1bn through supplier projects

By David Waller in Frankfurt

Mercedes-Benz has attributed savings of DM1bn ($588m) to a new "partnership" with its suppliers.

At the company's factory at Sindelfingen near Stuttgart, Mr Manfred Remmel, a director, said costs of certain supplies had dropped by up to 40 per cent since Mercedes sought to forge a new relationship with its suppliers.

Mercedes, through its so-called Tandem programme, has hammered out 300 projects with suppliers to reduce costs, develop products and improve quality, Mr Remmel explained.

He drew an unspoken parallel with the aggressive cost-cutting "hit-squads" operated by Mr José Ignacio López de Arriortúa, purchasing director at Volkswagen. These have been the focus of criticism within the German car components industry.

"Our co-operation lives from dialogue, not diktat," the Mercedes executive said.

However, he made clear the achievements of the past year were not enough to eliminate the German automotive industry's cost disadvantages against foreign, especially Japanese, manufacturers.

When the cost-reduction process began last year, the Japanese enjoyed a 30 per cent cost advantage. The gap had narrowed, but manufacturers and suppliers had to continue their efforts to become more efficient, Mr Remmel said.

The drive to cut the costs of supplies was part of Mercedes' broader cost-cutting strategy. Mr Helmut Werner, Mercedes chief executive, explained recently that a combination of measures – chiefly staff reduction – had reduced costs by DM4bn last year.

The aim is to close the gap with Japanese suppliers by 1998, he said.

Last month he said to reduce further the cost of supplies – which amounted to DM19bn last year at the company's 13 production sites in Germany – the company could buy a higher percentage of components from foreign suppliers.

German components suppliers have been under intense pressure. Mr Konrad Ellegast, deputy chairman of Phoenix, one of the companies involved in the Tandem project, said yesterday very few companies in the sector made a profit last year. Bankruptcies in the sector would continue this year.

Consortium buys 60% of Argentine insurer

By John Barham in Buenos Aires

A consortium of Leucadia National Corp of the US and Argentina's Werthein family is to pay $85m cash for 60 per cent of state-owned insurance company and savings bank, Caja Nacional de Ahorro y Seguro (CNAS). Its sale represents one of Argentina's last big privatisations.

CNAS dominates the local insurance industry, with a 12.5 per cent share of the market, and its savings bank has assets of $350m.

The Werthein family controls privately-held Banco Mercantil Argentino, a middle-ranking commercial bank, and will own 30 per cent of the Caja. Leucadia will hold another 30 per cent. They will take control of CNAS in mid-March.

The government plans to float a further 30 per cent of the company on local and international stock exchanges, but no date has yet been fixed.

The remaining 10 per cent will be held by the employee share ownership scheme.

In the past three years, Argentina has sold nearly all its state companies, raising $9bn in cash and retiring $10.0bn in debt.

US drugs group signs hospital contract

By Daniel Green

Abbott Laboratories, the Illinois-based healthcare company, yesterday signed a $500m contract with Sun-Health Alliance of Charlotte, North Carolina. The move adds momentum to the US trend of creating package deals for US health service suppliers.

The agreement includes pharmaceuticals, diagnostics, drug delivery systems, intravenous solutions, nutritionals, medical-surgical products, critical care and anaesthesia products.

The 280-hospital five-year deal is the latest in a series which usually involves big discounts for the purchasers in return for preferential buying from one supplier such as Abbott.

In August 1993, US healthcare company Bristol-Myers Squibb signed a five-year contract to set up preferred status for its products with American Healthcare Systems of San Diego, California. AHS has more than 1,000 hospitals, and the deal was one of the biggest yet signed.

These arrangements represent an alternative approach to that followed by Merck, the biggest drugs company in the US, which in July 1993 paid $6bn for drugs distributor Medco Containment Services.

These deals respond to changing healthcare markets, and anticipate the reform of healthcare proposed by the Clinton administration.

Black & Decker margins to rise

Black & Decker, the US power tools group, expects higher margins during 1994, due to lower costs and new product introductions, but said the gains would be confined to the US, Reuter reports.

"We do not anticipate significant improvement in European consumer or industrial markets during 1994," said Mr Nolan Archibald, chairman and chief executive.

Boldly seeking aerospace opportunities

Paul Betts finds McDonnell Douglas cash-rich and back on the acquisition trail

McDonnell Douglas is back on the acquisition trail to strengthen its core defence aerospace activities. The US company is also seeking partners in Europe and Asia for its commercial aircraft operations.

"Our improved financial strengths means we can be a buyer again. That was not the case two or three years ago," Mr John McDonnell, the US group's chairman, said yesterday at the Singapore air show.

The group's net profit rose to US$396m last year, from $79m in 1992, before exceptional items related to a new accounting standard for pension benefits. It expects to continue showing "strong earnings and positive cashflow" in 1994, said Mr McDonnell.

This would enable the largest US defence contractor to seek acquisitions offered by the growing consolidation of the US defence industry.

"We are not planning any diversification, but we are going to explore possible acquisitions to strengthen our aerospace business. If it doesn't fly we are not interested," Mr McDonnell said.

The group would focus on opportunities in the US market because Mr McDonnell believes the time is not yet right to form transnational defence companies.

Last week's announcement by President Bill Clinton of a $6bn order by Saudi Arabia for McDonnell Douglas and Boeing commercial aircraft had also boosted prospects for the company's Douglas commercial aircraft business. The deal would enable Douglas to rebuild its backlog when it has seen its commercial aircraft sales and production nose-dive during the past three years.

Douglas produced only 40 commercial aircraft last year. Twin-engine aircraft production alone has slumped from 138 aircraft in 1991 to 20 last year.

Despite the sharp drop, the commercial aircraft operations have made money in the past three years, following extensive cost-cutting and restructuring. They showed an operating profit of $40m last year, down from $102m in 1992. Mr McDonnell said they would again be cash-positive this year, even though sales were continuing to decline.

However, he conceded the company needed to win more orders for 1996. "If we don't, we will have to cut production rates even further," he warned.

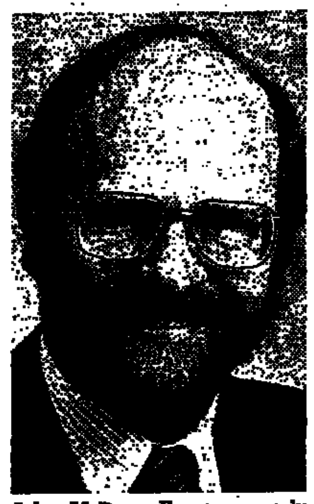
Mr McDonnell said there were two alternative strategies for the commercial aircraft business. The first was to strengthen the company in its existing market segments by developing new derivatives of its 156-seat twin-engine MD80 and MD90 airliners and its 300-seat MD11 three-engine long-range aircraft.

"At present we are pursuing this strategy," he said.

The alternative was an international alliance with partners from Europe and Asia to enable Douglas to develop a broader family of aircraft to compete across the board with Boeing and Airbus.

He said the company was in talks with "a number of potential alliance partners around the world", but declined to name them.

The company failed two years ago to forge a partnership with Taiwan Aerospace after much-publicised negotiations involving the possible US$2bn acquisition by Taiwan of a 49 per cent stake in Douglas.


John McDonnell: company in talks with possible partners

"We learnt our lesson. We are only going to say something this time when we have something to announce," he said.

One potential partner is Alenia, the Italian aerospace company controlled by the Finmeccanica state engineering group. The Italian group confirmed this week it was holding talks with McDonnell Douglas. Reports have indicated it was interested in taking between a 10 and 20 per cent stake in Douglas.

As part of its strategy to develop new derivatives of existing commercial aircraft products, Douglas announced yesterday it was introducing an extended-range version of its MD11. This will increase the MD11's current range by 480 nautical miles, to 7,210 nautical miles. The company is also marketing a smaller 100-seat version of the MD90 twin-engine aircraft called the MD95.

Mr McDonnell said the group would keep its helicopter activities, which it had considered selling or putting into a joint venture. The helicopter operations were no longer a separate subsidiary but had been successfully integrated into the company's overall structure, Mr McDonnell said.

After shedding about 17,000 jobs last year, Mr McDonnell said the big job restructuring was probably over, as long as the company's defence and civil aerospace markets did not continue to decline significantly.

Fairview weighs up debt plan options

By Robert Gibbens in Montreal

Cadillac Fairview, Canada's biggest regional shopping centre owner, has submitted a debt restructuring plan to its bankers and shareholders. It proposes asset sales and possibly a public stock offer.

Fairview, once controlled by the Montreal Bronfmans, owns the country's three leading downtown shopping malls, including the Eaton Centre in Toronto.

It has suffered from plunging property values since 1990, and has long-term debt of about C$3bn (US$2.2bn), including C$860m due to its banking group in 1997.

Fairview was acquired by Chicago's JMB Realty in 1987 for C$2.9bn, and taken private. About 41 institutions, including many big North American pension funds, injected C$700m cash last year.

Mr Graham Eadie, president of Fairview, said the company had to consider restructuring because of the drastic fall in property values. While there was no urgent deadline, the options were selling assets or bringing in new equity through a public offering.

Several Canadian property firms, such as Markborough and Cambridge Shopping Centres, have raised well over C$500m with stock and convertible debenture issues in the past few months.

Mr Frank Mayer, analyst with BBN James Capel, said: "The perception is that shares of companies such as Fairview can only improve. There is a lot of room for Canadian investment if an interesting deal is put together."

Canon agrees to use IBM's PC technology

By Louise Kehoe in San Francisco

Canon, the Japanese camera and office equipment maker, has agreed to use US computer group IBM's PowerPC microprocessor technology in future computer products. It will also help refine technology for use in consumer products and hand-held devices.

The Canon endorsement is a breakthrough for IBM, which aims to establish PowerPC as an industry standard competing with Intel's microprocessor technology. Canon is the first computer systems manufacturer, other than Apple and IBM itself, to adopt PowerPC as a strategic technology.

The agreement does not entail Canon incorporating PowerPC in its printers, cameras or copying machines.

Chrysler to sell car wiring division

By Patrick Harverson in New York

Chrysler, the US car manufacturer, announced yesterday that it will sell its Mexico-based Acustar electrical wiring division to a newly formed US subsidiary of Yazaki Corporation, one of its Japanese component suppliers.

After the sale is completed, Chrysler said it would enter a supply agreement to purchase wire products manufactured by the Yazaki unit.

The terms of the deal were not revealed, but the Acustar wire division, which has almost all of its 11,000 employees based in eight assembly plants in Mexico, had sales worth approximately $300m in 1993.

Industry analysts estimated that the deal was worth anything between $25m and $100m.

In selling Acustar, Chrysler is following the lead of Ford and foreign car companies, which have been recently selling their low-tech, labour-intensive component manufacturing operations to specialist suppliers.

Chrysler said that one of the motives behind the sale was that it would allow Acustar to achieve Mexican national supplier status, which makes it easier for the operation to sell its products in the Mexican market.

This will benefit Chrysler's subsidiary in Mexico, the company said, because by buying wiring components manufactured by a Mexican supplier, Chrysler will be entitled to receive more export credits from the Mexican government.

Old colonial captain to take controls at Aerolíneas

Iberia's loans to the Argentine flag-carrier will convert to a majority equity share, writes John Barham

The three-year crisis surrounding the privatisation of Aerolíneas Argentinas may now be close to a solution.

The governments of Argentina and Spain are expected to announce soon that Iberia, the Spanish national airline, will complete its takeover of Aerolíneas by lifting its stake to 85 per cent from 30 per cent.

This will wipe out about $700m in loans Iberia has advanced Aerolíneas.

Both sides in the often bitter dispute say the new arrangement puts Aerolíneas on a sound financial footing, and will allow Iberia to push ahead with modernisation of the struggling airline.

The roots of the convoluted tussle go back to November 1990, when Iberia led a consortium of local investors that paid $1.87bn in a cash and debt-for-equity package for 85 per cent of Aerolíneas. However, before the ink on the contract had dried, Iberia discovered that its Argentine partners were insolvent.

Then, a disagreement with the government over payment terms escalated into an angry confrontation that ended with renegotiation of the contract. This required the government to partially re-nationalise Aerolíneas, increasing its shareholding to 33 per cent from 5 per cent.

Iberia, however, failed to improve Aerolíneas's performance. It has had to pump almost $700m into the company since 1990 to keep it flying. Last year, Iberia demanded that the government contribute its share of a $500m capital increase to shore up Aerolíneas's balance sheet.

The refusal by the Argentine economy minister Domingo Cavallo to put any more money into Aerolíneas sparked a new confrontation with Iberia.

Iberia threatened to walk away from Aerolíneas unless the government joined in the capital-raising exercise. In the end, Mr Cavallo decided to allow Iberia to convert its $700m loans into equity, substantially diluting the government's Aerolíneas stake.


Domingo Cavallo: decided to allow debt conversion

This required a change in the law to allow Iberia to take a majority share in Aerolíneas without altering its status as Argentina's national airline.

The deal also dilutes the stakes of minority shareholders, nearly all of them Spanish and Argentine banks, with 27 per cent of the company. However, these banks merely served as a front for Iberia, whose stake in Aerolíneas was previously limited to 49 per cent.

Once the new arrangement is in place, the government's stake will be cut to 5 per cent. The remaining 10 per cent of Aerolíneas will be held by the employees' share ownership scheme.

Originally, the government wanted to sell its unwanted shares to private Argentine investors. However, it failed to find any serious buyers.

Investor aversion to Aerolíneas is hardly surprising. Not only is it a chronic lossmaker, but any fresh investor cash would go to Iberia. Furthermore, investors did not want to risk money in Aerolíneas as long as Iberia remained in charge.

In its three years under Iberia, Aerolíneas has lost almost $500m. Last year's $228m net loss was 16 per cent more than in 1992, and revenues fell 10 per cent to $1.02bn.

Despite Mr Cavallo's helpfulness in altering the shareholding regulations, Mr Manuel Moran, an Iberia executive on secondment as Aerolíneas's chairman, complains the new rules could make his life harder by allowing foreign competitors into the protected domestic market.

Still, he says Aerolíneas's health is improving. He forecasts positive cashflow this year, thanks to cost controls, a sales increase of almost one-fifth, to $1.2bn, and recovering market share. He hopes to start making money in 1995.

He wants to improve Aerolíneas's poor performance on the important Miami corridor by leasing smaller and more efficient jets to on the larger and more efficient US competitors.

Integration with Iberia and its associated companies in South America, notably Venezuela's Viasa will continue.

Mr Moran and his predecessors have made similar promises before. Mr Moran, like previous Iberia executives, blames his difficulties on the government, predatory competition, adverse market conditions, and hostile staff. In private, government officials counter by maintaining that Aerolíneas's greatest problem is Iberia's poor management.

Wherever the blame lies, for an Argentina proud of its national symbols, losing control of the flag-carrier to its old colonial master will be a bitter blow.

INTERNATIONAL CAPITAL MARKETS

European sector consolidates but remains nervous

By Conner Middelmann in London and Frank McGurty in New York

European government bonds continued to consolidate, but market sentiment remained jittery and investors were keeping a low profile following the recent sharp sell-off.

"The mood is still nervous and uncertain, and it would be very justifiable to remain cautious," said Mr John Hall, European economist at Swiss Bank Corporation.

Uncertainty over the pace of German easing continues to overhang the markets. While the Bundesbank last week cut its discount rate by ½ point, it left its more important repo rate unchanged at 6 per cent.

Most observers agree that a cut in that rate would kick off another leg in the bond rally, which is still seen as justified by Europe's economic fundamentals. However, a cut in German rates is seen to hinge on the resolution of the labour dispute in the German engineering sector, and inflation and money-supply data.

"Until these factors are out of the way, European markets will remain very exposed to the US market," said Mr Hall.

■ While UK gilts ended lower, dragged down by their European counterparts, traders said the auction of £2.5bn 7 per cent gilts due 2001 went smoothly. The auction was covered 1.48 times, with a tail (the difference between the highest and average accepted yields) of 6 basis points. While the cover was in line with expectations, news of the long tail caused prices to dip briefly. Recent auctions have rarely had a tail of more than 2 basis points.

However, prices soon retraced their losses as little follow-through selling emerged, and dealers said the new supply was absorbed with relative ease.

GOVERNMENT BONDS

■ German bunds rose initially on a larger-than-expected liquidity injection at the Bundesbank's repo allocation, but erased their gains in the afternoon to end slightly lower. The March bund contract on Liffe stood at 97.74 late in the day, down 0.09 point on the day.

"Technically we're still in a downward trend, and the fundamental situation isn't promising either," said a Frankfurt bund dealer, pointing to the imminent release of January M3 money supply data.

Although the market is discounting a bad number, he said M3 could knock prices sharply lower if it had been boosted not only by typical seasonal factors but by growth in the underlying components, such as credit expansion. Dealers are calling for an M3 rate between 10 and 12 per cent.

■ In the French bond market, curve-steepening trades put pressure on the long end and underpinned the short end. Ahead of next week's 10 and 30-year auctions and amid hopes for a near-term interest-rate cut, that trend is likely to continue, a Paris trader said.

The Bank of France's council meets today and traders remain divided over the chances of a cut in the 6.20 per cent intervention rate.

■ US Treasury bond prices drifted lower yesterday morning as traders looked ahead to an afternoon auction of $17bn in two-year securities.

By midday, the benchmark 30-year government bond eased $\frac{1}{8}$ to $95\frac{5}{16}$, with the yield edging up to 6.601 per cent. At the short end, the two-year note was off $\frac{1}{16}$ to $98\frac{15}{16}$, to yield 4.562 per cent.

Activity was thin and directionless during a morning when no fresh economic news was available. The tranquil atmosphere also reflected the calming influence of remarks by the Federal Reserve chairman, Mr Alan Greenspan, the previous session.

In testimony before a congressional committee, Mr Greenspan stressed that inflation was well under control, but a second increase in short-term interest rates was likely sometime soon.

Early on, dealers believed the market was well priced for the government's note sale later in the day, given the likelihood of further Fed action.

On a when-issued basis, the yield on two-year paper was bid at about 50 basis points above the January issue, which was awarded at a yield of 4.11 per cent. Since then, the Fed lifted its target for short-term rates by 25 basis points, to 3.25 per cent.

Asian bank offering priced to ensure smooth launch

By Antonia Sharpe

The recent volatility in financial markets prompted the Asian Development Bank (ADB) to give up a few basis points to ensure a smooth launch for its first global bond offering yesterday.

Although the $750m, 10-year issue was priced to yield 18 basis points over comparable US Treasuries, at the lower end of the indicated range of 18 to 20 basis points, this was slightly above some market expectations of a yield spread of 16 basis points.

When the bonds were freed to trade, the spread narrowed slightly, according to joint lead manager Salomon Brothers. Other banks involved in the deal said the strongest bid for the bonds was from Asia.

Mr Peter Balon, the ADB's senior treasury officer, said the offering was oversubscribed and that the pricing reflected his desire to see some performance in the bonds. The liquidity and the current coupon, as well as the narrow bid-offer spread, also offered investors an alternative to US Treasuries, he said.

Yesterday's offering, which accounts for one-quarter of the ADB's $2.8bn borrowing programme for fiscal 1994, marks a shift in the bank's funding

INTERNATIONAL BONDS

strategy. Mr Balon said the ADB planned to make at least one global bond offering a year and he noted that yesterday's deal showed that global bond offerings could be done successfully for $750m. The market has so far regarded $1bn as the minimum size for a successful global bond offering.

Mr Balon said the ADB's next large bond issue would be denominated in yen but that it also planned some Eurobond transactions and issues in the local Asian markets, including an offering in Taiwanese dollars.

The two other notable deals of the day were from corporate issuers. TransAtlantic Holdings, the life assurance and property group which reported its 1993 results yesterday, raised £250m through an offering of 15-year convertible bonds.

An official at lead manager UBS said although the conversion premium on the bonds of 12 per cent was below average, the coupon of 5½ per cent was the lowest to date on conventional Eurosterling convertible bonds. He added that the recent rise in UK government bond yields might prompt more companies to tap the convertible bond market before long.

Eridania Béghin-Say, the sugar subsidiary of Ferruzzi Finanziaria of Italy, launched a FFr1.5bn issue of eight-year Eurobonds.

The bonds, which were priced to yield 72 basis points over the interpolated yield curve for French government bonds, appealed to investors, mainly French institutions, who were familiar with the name and who were aware of the problems facing the issuer's parent.

Elsewhere, Nafinsa of Mexico became the first Latin American borrower to tap the dragon bond market. Its $250m offering of five-year floating-rate notes had a discounted margin of 102.7 basis points over Libor. Ispat, a Mexican steel company, is due to raise $175m through an offering of seven-year Eurobonds today, via CS First Boston.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Asian Development Bank	750	6.125#	99.117R	Mar.2004	0.325R	+18 (5⅞%-04)	IBJ Intl/Salomon Brothers
Nacional Financiera‡	250	(a)	99.875R	Mar.1999	0.60R	-	Lehman Brothers Asia
Chinese Estates Holdings(b)§	110	4.00	100.00	Mar.2001	2.50	-	Jardine Fleming
Primary Ind. Bk. Australia(c)‡	75	(d)	100.00R	Mar.1999	0.20R	-	Sanwa International
Hokuetsu Paper Mills(e)ϕ	70	1.75	102.50	Mar.1998	2.25	-	Yamaichi Intl.(Europe)
STERLING							
Transatlantic Holdings(f)§	250	5.50#	100.00	Apr.2009	2.50	-	UBS
FRENCH FRANCS							
Eridania Beghin-Say	1.5bn	6.50	98.855R	Mar.2002	0.40R	+72 (8½%-02)	Société Générale
Crédit Foncier de France(g)§	300	zero	100.00	Mar.2002	undisc.	-	Société Générale
GUILDERS							
Bk.for Dutch Municipalities(h)	250	5.25	99.08R	Mar.1996	0.20R	+31.3 (i)	ABN Amro Bank
AUSTRALIAN DOLLARS							
Philippine National Bank	75	8.00	99.665R	Mar.1997	0.80R	+188(12½-97)	JP Morgan Secs. Asia

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. §Convertible. ϕWith equity warrants. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) 3-mth Libor +1%. b) Fixed by Friday. Indicated conv premium: 15-18%. Callable, subject to 140% rule, from 24/3/97 at accreted value and from 24/3/99 at par. Puttable on 24/3/99 at 5yr Treasuries +175bp. c) Callable in Mar.99 at par. d) 6-mth Libor +0.3%. e) Fixed on Tuesday. f) Conv price: 505p. Callable from 1/5/01 at 103% falling 1%pa to par. g) Convertible into cash 15/3/95-15/2/02 at formula: 95% x (SBF120 close/SBF120 initial) or redeemed 15/3/02 at higher of par or formula. h) Callable on 23/3/95 at par. i) Over interpolated yield.

International banks pushed to diversify

By Antonia Sharpe

The slackness of international bank credit over the last three years has prompted international banks to diversify their sources of revenue through the underwriting and trading of securities, fund management and the offering of new services involving derivative products, the Bank for International Settlements (BIS) says in its latest report* on the sector.

It adds that the trend has been reinforced in recent periods by the volatility of interest and exchange rates which has led to greater demand from the non-bank sector for hedging and investment services.

Although there was a strong recovery in reporting banks' gross international claims, from a $106bn fall in the second quarter last year to a $183bn rise in the third quarter, new credit totalled a mere $5bn in the third quarter, down from $40bn the previous quarter. The BIS said this reflected weak demand for funds in the reporting area and an absolute contraction in banks' claims on all other groups of countries, except Asia.

The continuing weakness of loan demand from high-quality borrowers also led to a reduction in new international syndicated credit facilities, to $49.9bn in the fourth quarter from $54.1bn in the third, and accentuated the downward pressure on lending margins.

"While this does not appear to have been reflected so far in reduced spreads for lower-quality names, there was reportedly some evidence of banks' increasing willingness to lend to such customers," the BIS said in the report.

The report highlighted the rising popularity of Euro-MTN programmes which accounted for 31 per cent of all net issues of Euro-notes and international bonds in the fourth quarter. It added that net new issuance reached a near-record level in the Euro-note market and a peak in the international bond market, at $24.8bn and $56.7bn respectively.

**International Banking and Financial Market Developments, Bank for International Settlements, Monetary and Economic Department, Basle, February 1994.*

Moody's may downgrade French local authorities

Moody's Investor Service may have to downgrade some of its existing credit ratings on French local authorities, Reuter reports from Paris.

The US credit rating agency said the credit quality of the local authorities should remain good. However, their high debt ratings should in no way be considered by investors as reflecting Moody's opinion on the average financial strength of "territorial communities" in France, the agency stressed.

"Reduced financial elasticity to future stresses may lead to moderate downgrades of some of the existing ratings, but most of the rated French communities should be able to preserve institutional and financial characteristics compatible with the Aa rating range," it said.

Moody's has ascribed ratings to six French local authorities – Ile-de-France (Aaa), Provence-Alpes-Cote d'Azur (Aa2), Alpes-Maritimes (Aa2), Essone (Aa1), Hauts-de-Seine (Aaa) and Seine-et-Marne (Aa1).

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia	-	9.500	08/04	117.9900	+0.070	6.68	6.30	6.26
Belgium		7.250	04/04	102.9500	+0.320	6.83	6.69	6.54
Canada *		6.500	06/04	97.5500	-0.020	6.83	6.59	6.44
Denmark		7.000	12/04	104.5500	+0.700	6.40	6.31	6.02
France	BTAN	8.000	05/98	109.0950	+0.315	5.42	5.42	5.12
	OAT	5.500	04/04	96.0100	+0.110	6.03	5.94	5.72
Germany		6.000	09/03	100.2200	+0.270	5.96	5.82	5.77
Italy		8.500	01/04	98.5630	+0.063	8.72†	8.62	8.37
Japan	No 119	4.800	06/99	107.1310	-0.399	3.23	3.05	2.78
	No 157	4.500	06/03	108.8730	-0.230	3.52	3.32	3.25
Netherlands		5.750	01/04	98.5000	+0.210	5.95	5.84	5.72
Spain		10.500	10/03	114.1000	+0.400	8.31	8.12	7.87
UK Gilts		6.000	08/99	98-31	-8/32	6.23	5.96	5.68
		6.750	11/04	99-27	+2/32	6.77	6.58	6.13
		9.000	10/08	117-27	-1/32	7.03	6.88	6.46
US Treasury *		5.875	02/04	98-15	-5/32	6.08	5.88	5.72
		6.250	08/23	95-10	-	6.61	6.46	6.32
ECU (French Govt)		6.000	04/04	97.4500	+2.200	6.35	6.18	5.95

London closing, *New York mid-day. Yields: Local market standard.
† Gross annual yield (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

4pm. Treasury Bills and Bond Yields

Prime rate	6	One month	3.25	Three year	4.99
Broker loan rate	5	Two month	3.43	Five year	5.55
Fed.funds	3¼	Three month	3.44	10-year	6.10
Fed.funds at intervention	3¼	Six month	3.69	30-year	6.63
		One year	3.96		
		Two year	4.60		

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	127.72	127.98	+0.44	128.08	127.58	289,318	159,057
Jun	127.26	127.54	+0.44	127.80	127.16	16,331	32,290
Sep	126.52	126.78	+0.42	126.82	126.40	834	9,702

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
127	0.99	1.45	1.45	0.02	0.88	1.70
128	0.18	0.93	-	0.20	1.42	-
129	0.02	0.56	-	1.05	2.03	-
130	-	0.32	-	2.02	-	-
131	-	0.16	-	3.01	-	-

Est. vol. total, Calls 85,730 Puts 56,279 . Previous day's open int., Calls 372,922 Puts 347,442.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	97.93	97.96	0.13	98.12	97.68	237920	224091
Jun	97.68	97.69	0.08	97.82	97.38	50258	33894
Sep	97.45	97.80	0.08	97.70	97.41	2008	7

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
9750	1.05	1.29	0.86	1.19
9800	0.80	1.05	1.11	1.45
9850	0.60	0.85	1.41	1.75

Est. vol. total, Calls 39412 Puts 25940. Previous day's open int., Calls 111336 Puts 108318

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	101.76	101.70	0.03	101.81	101.51	2996	9297
Jun	101.90	101.85	-	101.90	101.82	500	100

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	115.25	115.20	0.02	115.60	114.98	64111	73795
Jun	115.19	115.22	-	115.66	115.15	8317	29787
Sep	115.20	115.12	-0.19	115.20	115.20	1	0

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
11500	2.21	2.96	1.99	2.84
11550	1.96	2.72	2.24	3.10
11600	1.73	2.49	2.51	3.37

Est. vol. total, Calls 408 Puts 898. Previous day's open int., Calls 23424 Puts 17781

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	103.75	103.71	+0.23	103.96	103.41	86,524	107,785
Jun	103.85	103.78	+0.77	103.90	103.40	5,403	32,583

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	114-15	114-17	0-03	114-26	113-29	111151	120715
Jun	113-21	113-22	0-01	113-30	113-04	24650	41168
Sep	-	112-26	0-01	-	-	0	0

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
113	2-15	2-39	1-35	2-51
114	1-45	2-10	2-01	3-22
115	1-18	1-49	2-38	3-61

Est. vol. total, Calls 5919 Puts 6922. Previous day's open int., Calls 29257 Puts 27535

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	119.00	119.20	+0.34	119.22	118.92	5,597	14,899
Jun	-	94.10	+0.14	-	-	-	203

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	113-04	113-04	+0-01	113-09	112-29	386,639	336,471
Jun	112-03	112-02	+0-01	112-08	111-27	19,695	65,596
Sep	111-08	111-06	+0.03	111-08	111-06	1,418	33,799

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	113.90	-	-	113.92	113.43	252	0
Jun	112.71	-	-	112.74	112.15	1986	0

* LIFFE contracts traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Feb 23	Day's change %	Tue Feb 22	Accrued interest	xd adj. ytd		Low coupon yield Feb 23	Feb 22	Yr. ago	Medium coupon yield Feb 23	Feb 22	Yr. ago	High coupon yield Feb 23	Feb 22	Yr. ago
1 Up to 5 years (25)	127.42	-0.03	127.45	1.41	2.07	5 yrs	6.21	6.20	6.60	6.45	6.42	6.89	6.53	6.52	7.06
2 5-15 years (24)	156.11	+0.07	155.99	1.83	2.82	15 yrs	6.90	6.93	7.83	7.02	7.05	8.32	7.25	7.26	8.59
3 Over 15 years (8)	178.00	+0.17	177.69	0.28	3.53	20 yrs	7.02	7.04	8.12	7.04	7.05	8.49	7.26	7.26	8.67
4 Irredeemables (6)	211.34	-0.06	212.58	2.29	1.12	Irred.†	7.14	7.13	8.54						
5 All stocks (63)	151.39	+0.06	151.31	1.48	2.56										

Index-linked							Inflation 5% Feb 23	Feb 22	Yr. ago	Inflation 10% Feb 23	Feb 22	Yr. ago
6 Up to 5 years (2)	189.07	-0.07	189.20	0.58	1.41	Up to 5 yrs	2.28	2.25	2.04	1.37	1.33	1.17
7 Over 5 years (11)	184.57	-0.13	184.80	0.72	0.79	Over 5 yrs	3.19	3.17	3.48	3.00	2.99	3.29
8 All stocks (13)	184.12	-0.12	184.35	0.70	0.85							

Debentures and Loans						5 year yield Feb 23	Feb 22	Yr. ago	15 year yield Feb 23	Feb 22	Yr. ago	25 year yield Feb 23	Feb 22	Yr. ago
9 Debs & Loans (69)	150.87	+0.04	150.80	2.43	1.66	7.91	7.84	8.61	8.03	8.03	9.39	8.11	8.11	9.62

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Feb 23	Feb 22	Feb 21	Feb 18	Feb 17	Yr ago	High*	Low*
Govt. Secs. (UK)	102.54	102.53	103.19	103.96	104.44	96.52	107.60	93.28
Fixed Interest	125.28	125.52	127.42	128.21	128.33	112.50	133.87	106.67

* for 1993/94. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94) , low 50.53 (3/1/75) . Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	Feb 22	Feb 21	Feb 18	Feb 17	Feb 16
Gilt Edged bargains	118.8	118.1	95.7	110.2	103.2
5-day average	109.2	105.4	101.9	107.1	109.4

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or –	1993/94 High	1993/94 Low
Shorts" (Lives up to Five Years)							
Treas 14½pc 1994‡‡		14.50	-	100xd	—	105¾	100
Exch 13½pc 1994		13.30	5.04	101⅜	—	109⅛	101⅜
Treas. 10pc Ln. 1994‡‡		9.86	4.88	101⅜	—	105⅞	101⅜
Exch 12½pc 1994		12.05	4.84	103¾	—	110⅛	103¾
Treas 9pc 1994‡‡		8.75	4.96	102⅞	—	105⅞	102⅞

[illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:55 pm on February 23

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	98¾	99		6.66
AlbertaProvince 9⅜ 95	600	107⅛	107½		4.81
Austria 8½ 00	400	111¼	112⅛		6.07
Bank of Tokyo 8⅜ 95	100	105⅞	106⅜	+⅛	5.34
Belgium 9⅝ 98	250	114⅜	114¾		5.60

	Issued	Bid	Offer	Chg.	Yield
United Kingdom 7¼ 97	5500	105⅛	105¼		5.53
Volkswagen Intl Fin 7 03	1000	101⅝	102⅛	+⅛	6.75
World Bank 0 15	2000	27	27¼	-⅛	6.18
World Bank 5⅞ 03	3000	97¾	97⅞	+⅛	6.18
World Bank 8¾ 00	1250	115	115⅜	+¼	5.78

	Issued	Bid	Offer	Chg.	Yield
Alliance Leics 11¾ 97 £	100	113⅞	114¼	-⅛	6.43
British Gas 12¾ 95 £	300	107	107¼		5.17
British Land 8⅞ 23 £	150	100	100½	-⅛	9.07
EIB 10 97 £	837	110	110⅜	-⅛	6.18
Halifax 10⅜ 97 £	100	110¾	111¼	-⅛	6.36
Hanson 10⅜ 97 £	500	111⅛	111¾	-⅛	6.78

[illegible]

CU makes £211m in a recovering market

By Richard Lapper

Commercial Union, the largest of the UK's composite insurers, yesterday, reported pre-tax profits of £211m for 1993 - underlining the recovery in the general insurance market.

The figures, which compared with a profit of £24m in 1992, were at the top end of analysts' expectations.

Earnings improved to 55.9p (46.8p) and a final dividend of 9.75p makes a 24.85p (24.35p) total on increased capital.

Like Guardian Royal Exchange, which reported on Tuesday, CU benefited especially from an improvement in trading conditions in the UK, where underwriting losses fell to £57m (£162m) over the year and an underwriting profit of £3m was achieved in the last quarter of the year.

Mr Peter Foster, general manager finance, said the improvement was "substantially" due to rate increases, premiums having risen by an average of 10 per cent on commercial property and 15 per cent on liability and commercial motor business.

London market marine business had been underwritten at rates between 15 per cent and 25 per cent higher than in 1992 and rates for domestic business, mainly house buildings and contents, were described as firm. CU confirmed, however, that there has been some "softening" of rates in the motor insurance market. The company had not cut its own rates but acknowledged that it had lost market share, shedding between three and four per cent of its 614,000 policyholders over the year.

In the fourth quarter motor insurance premium income was 18 per cent down on the same period of 1992, indicating that many of these customers were lost towards the end of the year.

Mr John Carter, chief executive, cautioned that changes in the way insurers were assessing motor insurance risks made any assessment of overall rate movements more difficult. "Some rates will go down and others up," he said.

The group also benefited from a low level of weather and subsidence claims, as well as a reduction in its overheads, following heavy cost-cutting since 1990. Expenses in the UK now amount to only 8.4 per cent of premium income, compared to about 15 per cent in 1990.

Overall premium income during 1993 increased from £5.57bn to £5.97bn. Life income fell to £1.9bn (£2bn), while general insurance income rose to £4.07bn (£3.57bn), with 7 per cent of the rise due to rate increases and a further 3 per cent attributable to increased volume.

Investment income rose to £363m (£325m) and underwriting losses fell to £277m (£431m). Associated undertakings' earnings were £13m (£19m). Non-life operating profits amounted to £99m (loss of £87m) and life profits were £119m (£118m). £7m was lost after CU closed its Argentine subsidiary.

See Lex

Community Hospitals shows healthy recovery to £2.95m

By Peggy Hollinger

Community Hospitals Group, the private medical care company, recovered from last year's recessionary malaise to report a healthy 58 per cent increase to £2.95m in interim pre-tax profits.

The increase for the six months to December 31 was achieved on turnover ahead 19 per cent to £27.2m.

Mr Alan Dexter, chief executive, said the profits rise was due to margin improvement in the hospitals division and the contribution from new nursing homes.

The results had also compared to a particularly depressed first half in 1993, which had been hit by higher interest charges and a fall in hospital revenues.

Mr Dexter was optimistic that the group would maintain growth this year, albeit at a slower rate.

The interim dividend is increased by 17 per cent to 2.8p, payable from earnings up 53 per cent to 6.6p.

The group also offered a "best view" opinion on full year profits, showing a pre-tax range of £7.2m to £7.8m, on sales in the £55m to £58m range. Earnings per shares were estimated at between 16p and 17.5p.

Operating profits from hospitals were 48 per cent higher at £3.06m, on turnover 14 per cent up to £21.6m. Mr Dexter said the division had improved operating margins from 10.9 per cent to 14.2 per cent. Costs had been cut by an estimated £500,000 on an annualised basis.

The hospitals capital investment programme, which totalled about £65m since the group's flotation in 1989, was now largely complete.

The continuing care businesses, including nursing homes, contributed £1.09m at the operating level, against £660,000 last year. Some £300,000 of the improvement was contributed by three new nursing homes.

Turnover was 49 per cent higher at £5.63m, and occupancy rates for the operational homes rose to 91 per cent from the high 80s.

Only the vows will satisfy the sceptics

John Gapper and Richard Gourlay look at why the float of 3i is again being proposed

If the promised wedding between institutional investors and 3i, the UK's leading provider of equity finance to small and medium-sized businesses, is finally held this summer it will mark the end of one of the most prolonged and turbulent courtships the stock market has ever known.

The suggestion that the six clearing banks and the Bank of England which own 3i - formed in 1945 as the Industrial and Commercial Finance Corporation - may finally float up to 40 per cent of its equity provokes some natural scepticism. The notion of a float has been around for up to a decade.

Yet the banks, led by National Westminster and Barclays, which between them own 41 per cent of 3i's equity, have good reason to support a 3i float now. "There is hardly going to be a better time. It is just common sense really," said a director of one of the shareholding banks yesterday.

The last attempt to float 3i early in 1993 came to grief because National Westminster and Barclays decided that they would not gain enough from selling their stakes. Although 3i's net assets had risen to £1.3bn by then, the sale price was not likely to be sufficiently attractive.

This is because NatWest, which holds a 23.1 per cent stake, is among shareholders which equity account for 3i. This allows them not only to gain from 3i dividends but from the rise in net asset values. This is thought to add about £15m a year to NatWest profits, in addition to the dividend income.

This means that the float price for 3i becomes a delicate calculation. Banks such as NatWest have to gain enough from the one-off sale of part of their stakes in return for giving up regular income. The loss would be more pronounced if it prevented them from equity accounting their stakes.

Accordingly, the rise in the shares of venture capital investment trusts - the most obvious comparison being Electra - over the past year was very significant.

The sector discount to net asset values has now fallen to about 11 per cent, compared with a historic high of 35 per cent.

The most immediate benefit of a flotation for the shareholders is that 3i will gain investment trust status. At the moment it is classed by the Inland Revenue as an investment company and is required to pay corporation tax on profits made from the sale of assets.

Once 3i floats as an investment trust, there will be no corporation tax liability on the sale of investments and group shareholders' funds will be that much better off.

As to the size of the float, 3i's advisers, Baring Brothers, and shareholders are understood to have chosen to sell no more than a third of the company in order to avoid the substantially greater cost involved in a larger sale like that of Wellcome shares last year.

The float nevertheless left some of the venture capital industry somewhat uneasy. Some venture capital groups which are raising new capital are having an exceptionally difficult time persuading UK institutions to replenish their funds.

Institutions may have decided not to invest in these new funds in order to enter the unquoted company sector indirectly via the 3i flotation.

3i added further to the competition for funds earlier this month when for the first time it raised a Ecu300m (£227m) fund of its own. "There is no doubt potential investors were attracted by the spread of our business and the enormous deal flow we enjoy," said Mr Ewen Macpherson, 3i chief executive.

3i denies the move into fund management has anything to do with the float. But it is clearly planning to raise further fee-earning funds, possibly for investment in the UK.

Such a move would inevitably drain funds that might have flowed to the venture capital groups already focused on investing in smaller unquoted companies.

By raising funds 3i will also be able to keep more of the deals it finds and has to syndicate because of its policy of only taking minority stakes in its investments.

3i could therefore become a significantly less generous provider of deals to smaller venture capital groups. This is likely to lead to further pressure for consolidation among the smaller venture capital suppliers within the industry.

So will 3i change its approach to its market once it becomes a quoted company and an FT-SE 100 stock to boot?

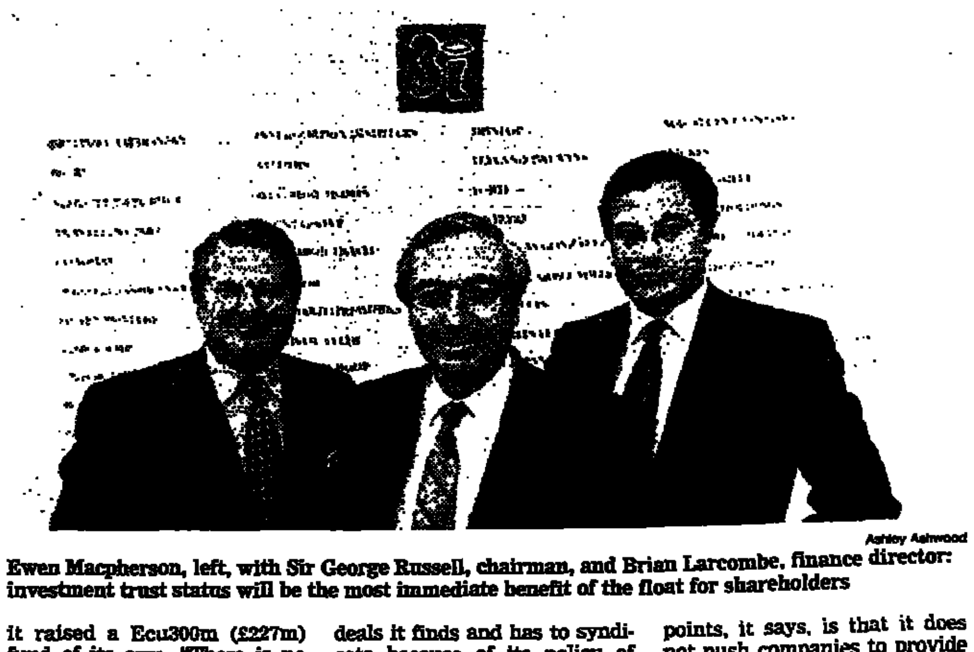
"We are not going to shorten the time horizons for our investments," says Mr Charles Richardson, director of corporate affairs. One of 3i's selling points, it says, is that it does not push companies to provide investors with an exit, unlike many other venture capital providers.

A company's management is the "best judge" of when to seek a float or a trade sale, 3i says. But the 3i flotation will give it greater flexibility to sharpen its focus on the smaller unquoted investment sector.

The group is considering, for example, setting up a venture capital investment trust or regional venture capital trust along the lines proposed by the chancellor in the last budget. This depends on details of the trusts which the Treasury expects to announce by the end of the month.

Aside from the financial calculations, the shareholder banks decided that 3i had reached the stage where it should benefit from the financial discipline of a Stock Exchange listing. They regarded the group as having reshaped itself in a way that would withstand investor scrutiny.

Despite the financial and managerial logic, the engagement has been mooted so long that there will be a sceptical City audience until the vows are finally exchanged.

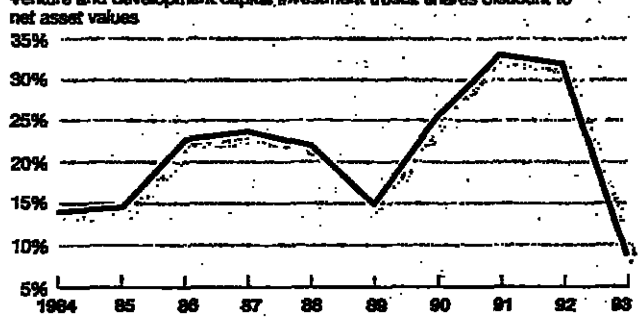


Ashley Ashwood

Ewen Macpherson, left, with Sir George Russell, chairman, and Brian Larcombe, finance director: investment trust status will be the most immediate benefit of the float for shareholders

Discounts shrink

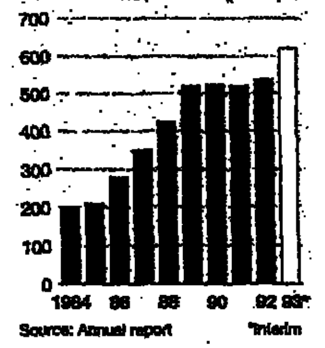
Venture and development capital investment trusts: shares discount to net asset values



Source: Association of Investment Trust Companies. Year end figures

3i Group

Net asset value per share (pence)



Source: Annual report. *Interim

Second half boost for Grafton

A marked improvement in second half trading enabled Grafton Group, the Dublin-based builders' merchant, to lift full year pre-tax profits by 7 per cent to I£4.13m (£3.97m).

The directors said that a general reduction in interest rates and renewed economic confidence had had a positive impact on construction demand and consumer spending in all of the company's main markets.

Sales for the 12 months to end-December rose by 9 per cent to I£104.9m (I£96.4m). For the second six months they rose by 16 per cent.

Lower interest rates resulted in a reduction in interest charges from I£1.23m to I£692,000.

Earnings per share improved from 18.6p to 20.9p and a final dividend of 4.25p makes an increased total of 7.25p (6.5p).

The directors expect Grafton to "benefit strongly" in 1994 from improved markets and from substantial investments in recent years to strengthen the operating position.

The opening six months to June 30 saw pre-tax profits fall from I£1.85m to I£1.21m. Turnover was virtually static at I£48.6m.

United Breweries in restructuring talks

United Breweries, the regional brewer and pubs operator, said yesterday that it was revaluing its estate and was in talks with its bankers regarding a possible restructuring of its obligations.

The company also said that it was reviewing its strategy and a number of acquisition opportunities which could significantly broaden the base of its activities.

The board hopes to conclude the discussions shortly.

In August, United announced a reduction in pre-tax losses to £189,376 (£283,607) for the six months to May 31. The possibility of a capital restructuring was mentioned at the same time.

F&C Ventures in Zeneca deal

Foreign & Colonial Ventures has backed D George Harris and Associates, the chemical industry specialists, in a buy-out of a Zeneca subsidiary.

The deal, the second DGHA buy-out backed by F&C within two years, involved the simultaneous purchase of Thoro System Products from Zeneca and PCR Inc from its private owners.

The merged companies will be known as Harris Speciality Chemicals and will have combined worldwide sales of more than $100m (£68m).

The venture will be headed by Mr D George Harris as chairman and Mr Arthur Wotiz, the former head of PCR, as president.

PHIT net assets rise to 54.91p

Pacific Horizon Investment Trust had a net asset value per share of 54.91p at the six month period ended January 31, up from 41.75p six months earlier and 36.44p at the comparable date last year. After exercise of warrants the figure was 54.09p.

The trust, which is managed by Baillie Gifford, reported losses after tax of £6,728, down from £63,590. Losses per share came out at 0.02p (0.16p).

Survey finds optimism among smaller companies

By Peggy Hollinger

Britain's smaller companies are bullish about growth prospects in the short term, in spite of looming tax increases which some have speculated could hinder economic recovery.

A survey by brokers SG Warburg showed that 74 per cent of companies expected an improvement in the economy over the next 12 months.

This contrasts sharply with recent public opinion polls, which showed that only 13 per cent of respondents expected an improvement.

The survey also showed that more companies felt there had been no change in the timeliness of invoice payment, which was widely considered to be poor. About £50bn is estimated to be outstanding on overdue invoices in the UK. Some 58 per cent of companies questioned favoured the introduction of statutory interest on late payments. About a third opposed legislation.

The survey, A View From the Boardroom, was based on the responses of 448 chairmen and chief executives of companies with market values of less than £300m.

It is Warburg's first attempt to track comprehensively the views of senior executives in the smaller companies sector. The survey, conducted in January and February, will be produced on a three or four-monthly basis.

Companies were found to be more optimistic than just three months ago, with 46 per cent of those surveyed saying order books were between 1 per cent and 10 per cent ahead in that period. About a third of companies said orders had remained static. Two thirds said they expected sales to increase over the next three months.

The economic growth expected by UK companies is unlikely to mean a change in employment levels, however.

The consumer goods sector was less optimistic than either the manufacturing or service industries. This contrasts with recent statistics showing a pick up in consumer spending.

Some 39 per cent of consumer goods companies reported that import penetration of their UK markets had "increased a little".

Mr Richard Hickinbotham, head of Warburg's smaller companies research team, said the findings of the survey "are particularly bullish for small companies' earnings prospects".

However, to justify further outperformance in an already buoyant small company sector, "we need to see the results of the survey reflected in company statements and ultimately in meaningful earnings advances", Mr Hickinbotham said.

NEWS DIGEST

Fairway advances to £2.25m

Fairway Group, the USM-quoted provider of print facilities and distributor of educational supplies, reported pre-tax profits of £2.25m for 1993.

The result was not comparable to the £1.51m achieved in 1992 as it included a full year's contribution from Spectrum Marketing Services and for Castle Print Finishers from July 2 1993.

Turnover amounted to £42.3m (£29.3m) including £225,000 (£1.22m) from acquisitions. With the exception of Fairway Business Forms all the group's principal companies contributed to the growth.

Earnings per share rose from 2.9p to 4.79p and the total dividend is lifted to 3.35p (3.15p) with a proposed final of 2.25p.

N American Gas

Net asset value per share of the North American Gas Investment Trust expanded from 80.5p to 94.8p over the 12 months ended January 31.

For the six months to end-January available revenue fell to £33,000 (£256,000 adjusted), equal to earnings of 0.09p (0.73p).

TR High Income

TR High Income Trust lifted net asset value per share from 110p to 144.5p over 1993. Fully diluted the figure was ahead from 108.3p to 137.2p.

Net revenue increased from £1.36m to £1.59m, resulting in earnings per share rising 18 per cent to 6.6p undiluted.

The dividend total is held at 6p with a fifth interim of 1.5p.

F&C Enterprise

Net asset value per share of Foreign & Colonial Enterprise Trust stood at 72.9p at end-December, a 35 per cent improvement over the 53.8p standing 12 months earlier.

Available revenue for the year amounted to £841,000 (£426,000), for earnings of 0.89p (0.45p) per share. A single dividend of 0.6p (0.44p) is proposed.

Dunedin Income

Net asset value per share of the Dunedin Income Growth Investment Trust stood at 784.6p at January 31, up from 645.4p six months earlier and 596.5p 12 months ago.

Net revenue for the year totalled £8.7m (£6.92m) giving earnings per share of 27.39p (21.75p) and a final dividend of 17.35p is proposed, giving a 26.1p (25.4p) total.

MIS

McDonnell Information Systems is coming to the market via a placing and public offer and not an intermediaries offer as reported on Tuesday.

Shirescot

Shirescot - Shires High Yielding Smaller Companies Trust - reported net asset value per share ahead by 33 per cent to 146.3p at the end of 1993, against 109.6p a year earlier.

Since its launch on August 28 1992, the trust's total return is 73.4 per cent. This compares with 61.9 per cent on the FT-SE-A All-Share Index.

After-tax revenue for 1993 was £681,000 (£334,000 for the initial four months) and earnings per share came to 5.43p (2.67p).

A final dividend of 1.75p makes 5.05p for the year (2.2p for four months) bringing the total since launch to a higher than forecast 7.25p - a total of 5.4p is predicted for 1994.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
BAe	fin	5†	June 1	4	8.3	7
Commercial Union	fin	9.75†	May 17	15.1	24.85	24.35
Community Hosp	int	2.8	May 10	2.4	-	6.9
Dale Electric	int	1	Apr 22	2	-	5.1
Dunedin Income	fin	17.35	Apr 20	17	26.1	25.4
Fairway §	fin	2.25	Apr 13	2.15	3.35	3.15
F&C Enterprise	fin	0.6	Apr 14	0.44	0.6	0.44
Gartmore Value	int	0.9525♠	Mar 31	0.9525	-	3.81
Grafton	fin	4.25‡	Apr 21	3.75	7.25	6.5
NatWest	fin	12.1	May 9	11.375	18.5	17.5
Pacific Assets	fin	1.2	Apr 20	1.1	1.2	1.1
Porvair	fin	2.8	Apr 13	2.4	4.2	3.6
TransAtlantic	fin	6†	Apr 29	6	12	12
TR High Income	fin	1.5	Apr 29	1.2	6	6

Dividends shown pence per share net. †On increased capital. §USM stock. ‡Irish pence. ♠Third interim; makes 2.8575 to date.

COMPANY NEWS: UK

TransAtlantic rises to £67m aided by insurer

By Simon Davies

TransAtlantic Holdings, the property and life assurance group controlled by Mr Donald Gordon, the South African financier, yesterday reported a 19 per cent rise in 1993 pre-tax profits from £56.5m to £67m.

The results were ahead of market expectations, primarily due to 50 per cent-owned associate Sun Life, which "showed exceptionally strong growth", according to Mr Gordon, TransAtlantic's chairman.

Earnings rose by 59 per cent to 13.24p (8.35p) and a final dividend of 8p is announced, representing an unchanged full-year pay-out of 12p.

Sun Life's contribution increased by 16 per cent to £42.7m. The life assurance company, in which UAP, France's largest insurer, owns the other 50 per cent, achieved substantial new business volumes in a static market.

New annual regular premiums increased by 25 per cent to £106.7m and single premiums increased by 60 per cent to £2.24bn. Sun Life reported pre-tax profit of £59.8m, up from £51.3m.

TransAtlantic's property interests, incorporating the Capital & Counties property group, contributed increased operating profit before administrative expenses of £75.1m (£71.4m).

TransAtlantic is finalising the flotation of its shopping centre interests into a separately listed company, Capital Shopping Centres, which should have an initial market capitalisation of about £600m.

The remaining property portfolio is also valued at £600m, and Mr Gordon said the company planned to increase its non-retail property activities.

TransAtlantic yesterday finalised a £250m convertible bond issue, which will fund the recent £162m purchase of Sun Alliance's share of the Harlequin shopping centre in Watford, and reduce its floating rate debt to £58m.

Mr Gordon said the company was interested in establishing a new leg to its business by investing in a life assurance company in North America. There were numerous opportunities. "If you come out with a cheque for $1bn, you can do a lot of things in the US," he said. TransAtlantic also owns 3 per cent of Sun Alliance.

TransAtlantic's net asset value per share rose by 6 per cent to 298p in 1993, but the company said that the current book valuation of Sun Life "materially understates TransAtlantic's net asset value."

● COMMENT

TransAtlantic's results provide some justification for the recent strong performance of the share price, demonstrating the strength of new business growth at Sun Life, amid a competitive market. Profits should reach £75m in 1994, putting TransAtlantic shares on a p/e of 30. This is aggressive, despite the long-term nature of its shopping centre investments. Fair market values for property and insurance would push the net asset value closer to the share price; but unless Donald Gordon pulls a choice acquisition out of the hat, the shares look fairly valued.

Hanson to raise $232m from sale, Beazer US float

By Maggie Urry

Hanson is to receive $232m (£157m) from the flotation of Beazer Homes USA, which was priced yesterday, and the sale of property in Hawaii.

The Anglo-American conglomerate will today issue the pathfinder prospectus for the flotation of Beazer Homes in the UK which will be completed by the group's half year end in March.

The net book value of the assets being sold was $201m at January 31. Mr David Clarke, chief executive officer of Hanson Industries, Hanson's US business, said the share sale "demonstrates the premium value of Hanson's individual business units". Hanson shares rose 4p to 279p.

The sale of the two housebuilding activities, acquired with the purchase of Beazer in December 1991, will help in Hanson's efforts to cut its gearing – which stood at 86 per cent in the September 30 balance sheet. The news followed Tuesday's $1bn convertible bond issue.

At the year end Hanson's net debt stood at £3.4bn compared to shareholders' funds of £3.95bn. Prior to the Beazer US deal, Hanson had raised £256m from disposals in this financial year.

The price for the US share issue was set at $17.50, in the middle of the revised price range of $16.50 - $18.50 a share. Hanson is selling 6m shares, cutting its stake to 33.3 per cent, but could sell a further 900,000 if underwriters find strong demand which would cut the holding to 25.8 per cent.

Beazer Homes USA is also issuing $115m of 10 year senior notes, carrying a 9 per cent coupon. With the repayment of debt to Hanson as well as the proceeds from the share sale, Hanson is receiving $184m.

The balance of $48m is coming from the sale of 220 acres on Ma'ili Kai, Oahu, the stock of Lokelani Construction and houses under construction to Schuler Homes, a US group. Hanson acquired these with its purchase of Kaiser Cement Corporation in 1986.

Beazer Homes USA is based in Atlanta, Georgia, and claims to be one of only six quoted US housebuilders operating in at least nine states. It concentrates on the south-eastern and south-western states with sites in New Jersey as well. The company is retaining $24m of the proceeds of the float and note issue.

Spurs shares dip to 82p after profit downturn to £644,000

By Peter Pearse

Shares in Tottenham Hotspur, the north London football club now 50.1 per cent owned by Mr Alan Sugar, its chairman, fell 10p to 82p yesterday on news that pre-tax profits for the six months to November 30 had fallen from £3.28m to £644,000.

However, Mr Colin Sandy, finance director, pointed out that profits on continuing operations before interest rose from £242,000 to £275,000.

Meanwhile a case brought by Tottenham for the winding-up of Edennote, a company controlled by Mr Terry Venables, Spurs' ousted chief executive and team manager, was yesterday adjourned until April, as Mr Venables plans to fight the petition.

Mr Sandy explained that Tottenham had sought the winding-up over a sum of £335,000, which was the adjudication by the taxing master of money owed from a possible £400,000. This amount, plus a further £150,000 of costs over Mr Venables' claim for wrongful dismissal as chief executive last summer were provided for in last year's accounts.

The football club is still being investigated by the Football Association over player transfer dealings, though Mr Sandy said that Mr Rick Parry, chief executive of the Premier League, did not expect the club to be relegated.

Total turnover declined to £12.3m (£15.1m) as the proceeds from the disposal of players' registrations fell to £4.54m (£8.15m). But the latter figure was boosted, said Mr Sandy, by some £2.8m from the £5.5m sale of Paul Gascoigne. The former was dented by "a near-£900,000 hit" on the £1m sale of Gordon Durie, who was bought for £2.2m and written down some £300,000 during his two years at the club.

Interest payable was £86,000 (receivable £352,000, including some £450,000 from the Gascoigne sale). Earnings per share tumbled to 2.7p (19.2p) and there is no interim dividend, against last time's 3p special.

Pacific Assets expansion

Net asset value per share of Pacific Assets Trust jumped by 94 per cent – from 350.8p to 681.1p – over the 12 months to January 31 1994.

Available revenue for the year was higher at £408,000 against £262,000, after a tax charge of £198,000, up from £137,000, giving a per share value of 2.07p, compared with 1.34p last time.

The single distribution to shareholders is lifted to 1.2p (1.1p).

Bibby puts £75m flotation on ice after offer from AB Foods

By Maggie Urry

J Bibby & Sons has put the imminent £75m flotation of half its business on ice while it considers an offer for its agricultural division from Associated British Foods.

The division was one of four that was to form the new company whose flotation was announced last October. It was a means of cutting Bibby's debt, which stood at £122.8m at the year end following the ill-fated £82m acquisition of Finanzauto, the Spanish distributor for Caterpillar in July 1992.

The offer from ABF, the milling, baking and grocery products group which has substantial cash balances, is conditional on due diligence and negotiation on price. But Bibby hopes to be in a position to give a clear message to shareholders about the future at its delayed annual meeting, which has now been set for March 30.

Bibby, which is 79 per cent owned by Barlow Rand, the South African group, also released first quarter results yesterday which showed a recovery in pre-tax profits from £1.29m to £3.46m. However, operating profits from the agricultural side fell from £731,000 to £580,000.

Analysts said the sale of the agricultural business could raise £20m, although ABF might need to spend more on restructuring the business. They said it would fit well with ABF's animal feeds activities which derive from both its milling and British Sugar businesses.

ABF has made two acquisitions in the field recently, KW Agriculture and Yorkshire Country Feeds. Mr Harry Bailey, finance director, said there was "no grand strategy" to become a leader in the industry, but where ABF could see a sensible addition at a price to give a good return it would make acquisitions.

Bibby's first quarter figures showed turnover static at £210m (£209m). Earnings per share were ahead from 0.52p to 1.22p.

MAI lifts holding in SIS to 17.5%

By David Wighton

MAI, the broadcasting and moneybroking group headed by Lord Hollick, is increasing its stake in Satellite Information Services, which provides a television-based racing service to betting shops, from 7 per cent to 17.5 per cent.

The shares come from Sears, the Selfridges retailing group, which is selling its entire 12.7 per cent stake for £9.9m.

MAI is paying £8.1m for 10.5 per cent and Racal Electronics is buying the remainder, increasing its stake to 22.2 per cent.

MAI, which controls Meridian Broadcasting and Anglia Television, said the move was a natural extension of its television interests. "With the proliferation of television channels there will definitely be a sports channel at some stage, perhaps even a racing channel."

SIS dominates the coverage of UK racing, producing between five and 12 hours of live television a day.

SIS was formed in 1986 by the then big four bookmakers, Coral, Ladbroke, Mecca and William Hill (then owned by Sears), for which it has been a very successful investment.

Set up with £10m of equity, SIS paid out a special dividend of £55m last year and is now valued at over £77m on the basis of the Sears sale.

William Hill, now owned by Brent Walker, the heavily indebted property and leisure group, has a 15 per cent stake worth £11.7m.

Sears, which will make a profit on disposal of about £9.8m, said the sale was in line with its strategy of selling off its non-retail interests.

Acatos holds talks on share reconstruction

Acatos & Hutcheson, the edible oils and fats manufacturing group, is in discussions with advisers regarding a possible reconstruction of the shareholding of Acatos Limited in the company.

This concern is private and owns the shares previously held by Mr Ian Hutcheson, the chairman, his family and other parties, which currently comprise 37.1 per cent of the ordinary capital.

If the reconstruction proceeds, Mr Hutcheson and some or all of the other Acatos Limited shareholders intend cutting their combined holdings to 30 per cent.

Serif makes progress with losses cut to £1.2m

Serif, the USM-quoted specialist printing and packaging group which in November launched a £4.9m rights issue, yesterday reported a cut in pre-tax losses from £1.74m to £1.23m for 1993.

The company said at the time of the cash call that without the rights, its ability to trade would depend on the support of its bankers, which might not be forthcoming.

Serif said yesterday that the proceeds had been utilised to reduce creditors and provide additional working capital.

Turnover totalled £18.8m, a decline of £2.6m, of which £2m was due to the disposal of the bingo activity in 1992. Losses per share came out at 3.9p (6.2p).

Comparisons have been restated for FRS 3.

Sales at Spottiswoode Ballantyne were affected by lower than expected demand in the first part of the year, but margins improved in the second half and benefit was gained from the new web press commissioned in June.

Although sales of security products and packaging at Cowells increased during the year, margins were hit by production disruption, caused by difficulties in commissioning new machinery for printing and plastic card production.

Wembley's asset sales expected soon

Wembley, the greyhound track operator and owner of the famous London stadium, is expected to sell two of its largest assets this week to comply with a banking deadline to cut borrowings by £40m, writes Tim Burt.

Sir Brian Wolfson, chairman, is understood to be completing negotiations in the US to dispose of the Lincoln Greyhound track in Rhode Island and Pacer Cats, the computer ticketing company.

The sale of Pacer Cats, which produces and services ticket computer systems in North America and Europe, is expected to raise about £20m, taking the disposal programme within 5 per cent of the total repayments due by March 31.

Although the moves will significantly reduce Wembley's net debt – put at £139m at the interim stage last year – lenders, led by Barclays, have also demanded repayment of a further £10m by the end of the year. Concerned at gearing levels, which touched almost 80 per cent last year, the banks are expected to force more disposals.

Industry analysts yesterday predicted that the group would have to sell some of its remaining greyhound tracks in Britain and the US.

"There are more disposals to come. Even if Wembley meets the bank deadlines they will still be quite highly geared," said one analyst.

Speaking from the US, Sir Brian admitted: "The group is just treading water. Until we finish the disposals programme we cannot embrace new business plans."

Those plans centre on developing its arena management business and signing new advertising contracts for its flagship asset, Wembley stadium.

Moves to sign new advertising deals have, however, prompted a row with the Football Association, which has a 20-year contract with Wembley to stage all of its major domestic soccer fixtures and international matches at the north London site.

Under the contract, signed in 1982, Wembley receives between 25 and 32 per cent of ticket sales and 25 per cent of television revenue, but retains complete control of perimeter advertising.

The FA, which wants to renegotiate the agreement, has been angered by a deal signed by Wembley last month with Sports and Outdoor Media, the international advertising agency which already handles the Melbourne Cricket Ground and Lord's.

Mr Tim Crow, sales director at the agency, said it hoped to sign advertising agreements with 10 international corporations, which would be designated "official sponsors" for all events at Wembley.

"In perimeter advertising, nothing like this has yet been achieved in the UK. We're not selling soccer, we're selling Wembley stadium," he said.

The FA, which is in arbitration with Wembley, is understood to regard the scheme as a threat to its own plans to win new sponsors for English football.

Hopes for a turnround in injury time

Wembley has five weeks to attempt to pacify lenders and investors. **Tim Burt** reports

Britain's self-proclaimed "Venue of Legends" has moved into financial injury time.

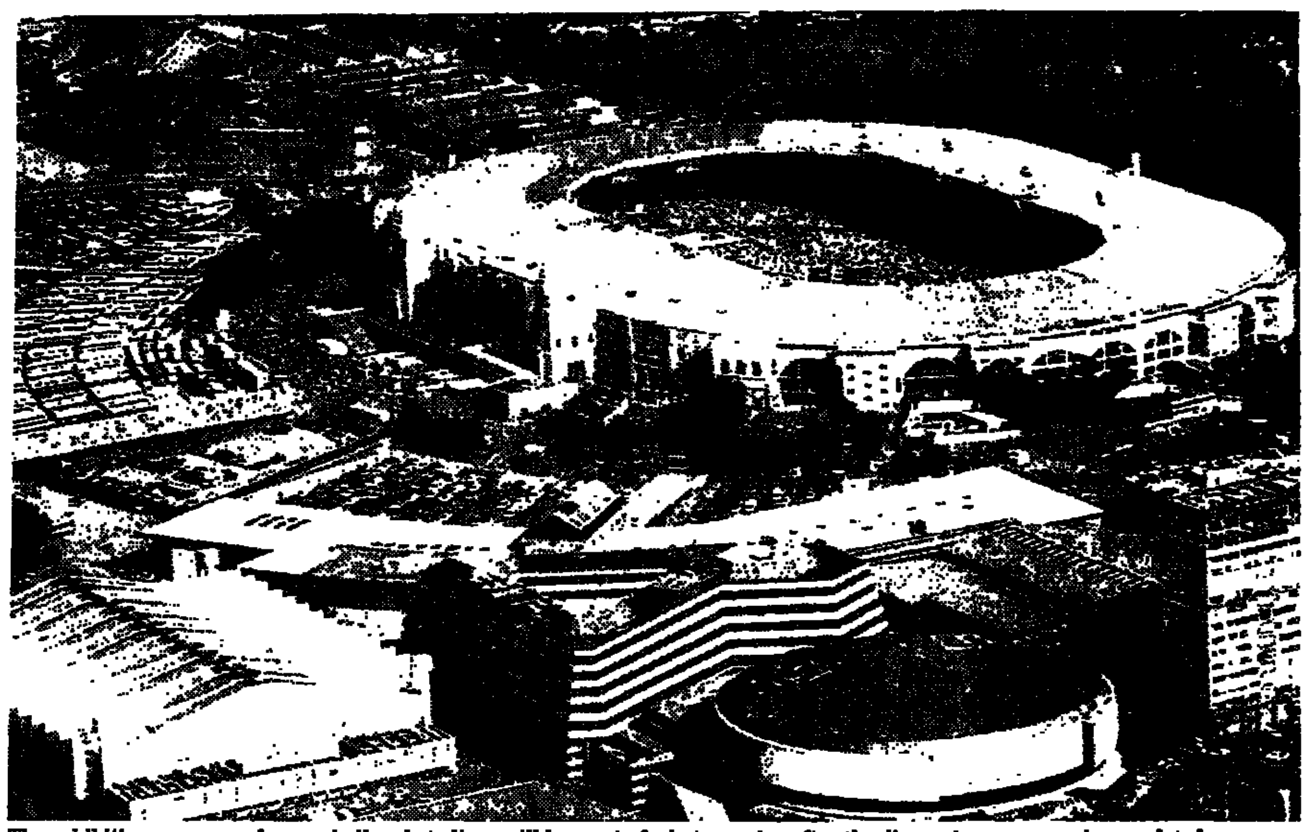
Wembley, owner of the north London sports and exhibition complex, has exactly five weeks in which to complete a radical disposal programme that threatens to kill off its position as a diversified entertainment and leisure group.

Since mid-1992 it has sold off assets worth more than £37m, but still failed to pacify lenders owed £139m and investors who have seen the share price tumble from a 1987 high of 157p to 16p.

Profits have not fared any better. In spite of steadily rising turnover, the group reported a pre-tax loss of £12m in 1992 on sales 13 per cent ahead at £191.4m, and only moved into profit last year following asset sales.

Sir Brian Wolfson, chairman, is candid about where the group went wrong.

"For six years, we spent £1m a month on Wembley and we thought we could spin out businesses from the stadium. We did that using cash, and then we hit the recession at 100 miles an hour with a weak balance sheet."



The exhibition arena, conference hall and stadium will be most of what remains after the disposal programme is completed

Confronted with a debt mountain and operating profits dependent on bookings for pop concerts and a few full-house soccer matches, the banks told him to start selling assets.

As he prepares to sign away the next tranche of subsidiaries in the US, analysts in London are predicting that Sir Brian will be left with a company still valued at more than £45m but with few assets to speak of.

Once the disposal programme is complete, all that will remain is the north London exhibition arena, conference hall and stadium, plus a few greyhound tracks and a hospitality furniture business.

Although Sir Brian is confident that there is scope there to generate fresh operating profits, analysts are expecting 1993 annual losses of at least £1.5m and, at best, a £500,000 gain in 1994.

"They are going to have start motoring a bit to see any earnings growth. Even if pre-tax profits reached £3m, earnings per share would be no more than half a penny," according to one analyst.

The balance sheet, meanwhile, could be further depleted as the disposal programme feeds through.

The group's operating properties were valued at £286.2m in December 1990. But assets sales are now expected to lead to large write-downs on fixed assets, which the group put at £353m at the end of 1992.

A shadow, meanwhile, has been cast over future income by a dispute with the Football Association, which now wants a share of the perimeter advertising revenue which Wembley earns from soccer matches.

In a piece of brinkmanship, Mr Trevor Phillips, the FA's commercial director, threatened to move England fixtures and the FA Cup Final elsewhere if he could not extract a better deal.

Wembley knows such a move is unlikely, but the threat has unsettled its investors. Worse still, it has failed to secure pop concert bookings this year – a main revenue earner.

Acknowledging the importance of such concerts, Mr Bob Heaver, a Wembley director, says: "Only about half our revenue comes from football; the FA Cup Final is probably the biggest earner, but Madonna can run it close."

Nevertheless, he is optimistic that the stadium can lead the company back to financial health. Standing in one of the executive suites in the 80,000-seat arena, he says the company has drawn up plans for a large-scale refurbishment.

Chartered surveyors, architects and engineers have been consulted to see if another tier of seats could be added, an athletics track installed, the internal pillars removed, and, most ambitiously, it is investigating roofing over the pitch.

"Once the technological problems with maintaining the turf are sorted out, a roof over the complex could go up in 18 months," he says.

Analysts, however, say Wembley's performance since its last right issue, which raised £37.3m in 1992, could make it difficult to attract fresh capital for these schemes.

"There is some uncertainty whether they could ask investors for more cash, especially given the concentration of offshore shareholders," said one analyst.

His concern centres on the interests of Rolaco Holdings, a Switzerland-based company with stakes in Club Mediterranee and the Kempinski hotel group. Rolaco is the investor group behind Orpington Investments, which holds an 11.25 per cent stake.

Mr Heaver dismisses such concerns. He says the company can rely on shareholders controlling at least 16 per cent to push through its plans.

Those plans involve turning Wembley into the fulcrum of a stadium management business. To that end, it has set up Wembley International, a new division which has already won a 10-year contract to run the new HK$80m (£7m) Hong Kong Stadium and acted as consultants for new arenas in South Africa and east Asia.

"These stadiums are all multi-purpose venues and that's what we're developing at Wembley," says Mr Heaver.

"We know there's a lot of work to be done, but the game's not over by a long way."

Market capitalisation of about I£200m expected in summer float

Irish Permanent plans listing

By Tim Coone in Dublin

Irish Permanent Building Society, the largest building society in the Republic of Ireland, is to seek a flotation on the London and Dublin stock exchanges in the early summer.

The IPBS has 30 per cent of the Irish residential mortgage market, assets of I£2.7bn (£2.6bn) and reserves of I£156.2m.

Mr Roy Douglas, chief executive, said the conversion of IPBS from its mutual status to a plc was "a strategic issue, to obtain access to the equity market on an ongoing basis."

The company simultaneously reported a 35 per cent increase in pre-tax profits to I£28m (I£21.5m) for the year to December 31.

Net interest income grew by 33 per cent to I£80.4m, while the cost/income ratio was reduced to 60.5 per cent (64.3 per cent). A target ratio of 50 per cent has been set for 1996.

IPBS is the first building society in the Republic to seek conversion, and the move marks a major development in Ireland's financial services industry.

Market liberalisation in recent years has permitted banks and building societies to broaden their range of services, such that the distinction between them is becoming increasingly blurred.

The resulting intensification of competition has placed building societies at a relative disadvantage to publicly-quoted banks, as their mutual status limits them to raising capital largely from retained profits.

Members'approval for conversion of the society's mutual status to a plc and flotation will be sought at the annual meeting in four weeks' time.

Conversion will result in the issue of 81m free shares to an estimated 227,000 qualifying members of and a cash distribution of up to I£200 each for a further 100,000 members who do not qualify for the free shares.

The flotation, in June "or soon thereafter," will raise up to I£50m in new capital with the issue of a further 36m shares.

Mr Douglas said the flotation shares would be placed with institutions and offered through subscription rights, rather than an open offer.

He added that on completion of the flotation, market capitalisation was expected to be between I£180m and I£200m, giving an indicative share price of 150p to 166p.

Growth strategy would focus on the personal savings and lending segment of the Irish market, and the development of a life assurance business.

John Bourke, chairman (left) and Peter Ledbetter, executive director, at the announcement of the conversion plans in Dublin

Dale Electric blames deficit on provisions

Dale Electric International, the maker of power systems, tumbled from pre-tax profits of £544,000 to losses of £933,000 in the half year to October 31.

Mr Iain Dale, chairman, said that the warning issued in October estimating a £700,000 first half loss was an "impressionistic forecast" of the deterioration in trading conditions. He said that the loss related to provisions against contracts.

Although the aviation sector remained depressed, he said the group was already benefiting from increased worldwide investment in airport infrastructure. Measures to achieve annualised cost savings of £1.1m had been implemented.

Mr Dale added that the order book at January 31 was ahead 62 per cent at £26m (£16m).

Turnover from continuing activities fell to £19.1m (£26.7m). Losses per share were 6.74p (3.02p earnings). The interim dividend is halved to 1p.

Porvair advances to £2.6m

Porvair, the microporous synthetic materials manufacturer, returned record pre-tax profits of £2.55m for the year to November 30.

The 26 per cent improvement over the previous £2.02m was achieved against a backdrop of difficult economic conditions in certain world markets.

Helped by acquisitions, sales rose 22 per cent to £21.9m – some 78 per cent of group production is exported.

Earnings emerged at 13.2p (11.6p) and a final dividend of 2.8p raises the total from 3.6p to 4.2p.

Algerian oil and gas find for Lasmo

By Robert Corzine

Lasmo, the independent oil exploration and production company, has made its third oil and gas discovery in eastern Algeria.

The well, which is operated by Anadarko of the US – Lasmo's partner in the venture along with Maersk of Denmark, was tested at a cumulative rate of 8,100 barrels of oil and condensate and 82.5m cu ft of gas a day.

It is the third discovery from four exploration wells which Anadarko has drilled in the area. Two additional prospects in the area will be drilled soon, according to Mr John Hogan, chief operating officer.

The desert areas being explored have so far been free from any of the political violence affecting Algeria. But drilling crews and technical staff are flown directly to the area, thus avoiding the capital, Algiers.

Further drilling to appraise the full potential of the discoveries is likely to take place later this year, the company said. It is also assessing the overall potential of Algeria in light of the string of discoveries.

● Premier Consolidated Oilfields, an independent exploration and production company, has found gas in a new field to the west of the large Qadripur gas field in Pakistan.

The discovery in the Ghauspur block was in geology similar to that of Qadripur. But the different composition of the gas confirmed it was a separate field, the company said.

Gas from the latest find has a relatively low calorific value and a high nitrogen content, but the company believes it could be marketable if the reserve proves large enough.

Fidelity Japanese placing raises £86m

By Bethan Hutton

Fidelity Japanese Values has raised £86m during its placing stage. The public offer, which closes on March 8, could bring the fund up to a total £150m.

Ordinary shares in the investment trust are being offered at 100p, with one warrant attached for every five shares. Dealings are expected to start on March 15.

Strong institutional demand for the fund illustrates the findings of recent surveys, which have shown that UK fund managers are increasing their weightings in Japan. Fidelity argues that smaller and medium-sized companies, in which the fund will specialise, will be best placed to benefit from any recovery, as well as from deregulation and other changes in the economy.

Fidelity is better known for its unit trusts, this being only its second UK investment trust. The group already has a Japanese Smaller Companies unit trust, run by the same fund management team which will manage Japanese Values. It is the seventh best performing Japanese unit trust over five years, but ranks 35 out of 74 in the sector over three years.

Lincoln House sharply ahead at £274,000

Lincoln House, the USM-traded home furnishings group, more than doubled pre-tax profits from £120,000 to £274,000 over 1993.

Turnover on continuing operations increased from £7.3m to £8.6m, producing operating profits of £558,000 (£424,000). Results have been applied under FRS 3 and comparisons restated.

Earnings per share were 1.6p (0.7p).

The company said that November's successful placing and open offer had transformed the balance sheet and placed it in a strong position to benefit from any improvement in the balance sheet.

ACT reorganises to focus on financial software

By Alan Cane

ACT, the computing services company, has embarked on a programme of restructuring and disposals which will leave it, possibly by the end of this year, as a tightly-focused financial software concern.

The company at present comprises two divisions. Financial software products generate £150m of group annual sales totalling £250m but account for 80 per cent of profits. Information systems covers a diverse group of companies, including computer maintenance and hospital management systems.

The company has already disposed of Cablestream to Siemens of Germany for £5m and Brann Marketing to its management for £8m.

On the basis of restructuring announcements made earlier this week it is expected that other non-core activities will be sold soon. These could include Network Si, a computer networking subsidiary, Computer Support, which provides maintenance and outsourcing services, Medisys, which specialises in the healthcare market and Logsys, an open systems supplier to central and local government.

ACT intends to integrate its three financial software subsidiaries – Kindle, BIS Banking Systems and ACT Financial Systems – under a central operating board. The board will comprise Mr Roger Foster, ACT founder and chairman, Mr Mike Hart, group managing director, and Mr Brian Whitty, finance director, together with managing directors of the three subsidiaries, Mr Kieran Nagle, Mr Paul Newton and Mr Eurfyl ap Gwilym.

Roger Foster: heading new central operating board

Kindle, based in Dublin, will be renamed ACT Banking Systems and be responsible for marketing banking products to emerging financial centres in eastern Europe and the Middle East.

BIS Banking Systems will be renamed ACT International and will be responsible for marketing in established financial centres. ACT Financial Systems will be responsible for marketing in the UK.

Mr Foster said the strategy was designed to give the company a single corporate identity in the financial world, eliminating duplication in offices, marketing, products and research and development.

"The game plan is to establish a global presence in a single niche market, financial services. If you are a UK company without a global presence you will be squeezed by bigger companies."

ACT, with 3,500 staff, is one of the UK's largest computer services groups. Founded as a computer bureau, it moved into personal computers before selling its hardware division to Mitsubishi Electric of Japan four years ago.

It has since made a series of acquisitions, chiefly in the financial services areas, including Quotient and NMW, the stock processors and Kindle and BIS Banking Systems, which supply banking packages.

BIS cost £93.5m, financed partly through a rights issue. ACT now has no debt and no cash. The disposals will raise substantial sums, which it is thought will be used partly to buy small companies providing financial software which fill gaps in its packaged software product line.

Analysts broadly welcomed the new strategy. Ms Sue Cox of Warburg said it was a logical progression. The company's chief problem had been credibility with such a broad spread of activities.

James Smith Estates raising £12.3m to fund acquisitions

James Smith Estates, the Sussex-based property investment company, is raising a net £12.3m through a placing and open offer. It is also intending to move up from the USM to the Official List.

The proceeds will be used to fund acquisitions, including £8m for three recent commercial property purchases in Sussex and Hampshire.

The company is also having talks on other purchases with a total value in excess of the balance of the funds raised.

The company said that it intended to raise additional finance through the issue of long-term fixed interest debt.

Some 10.3m shares have been conditionally placed at 125p and are being offered to shareholders on a 2-for-3 basis. The shares closed unchanged at 133p.

The offer is sponsored by Close Brothers; brokers are de Zoete & Bevan.

On the present year the company said it was trading satisfactorily with gross rental income from property investment held at March 25 1993 running at similar levels to a year earlier. Since March 24 the open market valuation of the investment property portfolio had increased by £2.57m to £26.6m.

Directors said without unforeseen circumstances they intended to recommend a final dividend of 3.1p for an increased total of 4.65p (4.2p).

VIEWPOINT

The Commerzbank report on German business and finance 2/94

Are flexible exchange rates hampering the Single Market?

Last year's near-collapse of the EMS revived the old debate on the impact of exchange-rate fluctuations on cross-border transactions, namely the flow of goods and services, capital investment and labor mobility.

Empirical studies suggest that no connection exists between short-term exchange-rate fluctuations, on the one hand, and merchandise trade and direct investments, on the other. Risks stemming from volatility are being covered at low cost by means of forward contracts. However, international activity reacts strongly to currency misalignments, i.e. massive deviations of real exchange rates from their equilibrium levels.

Yet despite the evidence to the contrary, many company surveys tend to underline the advantages of fixed rates. Does this mean that expectations for Western Europe's long-term growth have to be lowered, given de facto flexible exchange rates for some time to come?

Exchange rates and growth

Closer scrutiny will remove the apparent contradiction. If exchange rates are volatile, firms with international activities will try to achieve a smooth development of their foreign sales; one way for them to realize this is through regional diversification, which often entails increasing the volume of their transactions. The impact of exchange-rate fluctuations on foreign sales cannot, therefore, be predicted in advance. Nevertheless, for producers of tradeable goods who do not yet sell abroad, volatile rates represent a kind of trade barrier.

"Flexible rates are the appropriate answer to present problems."

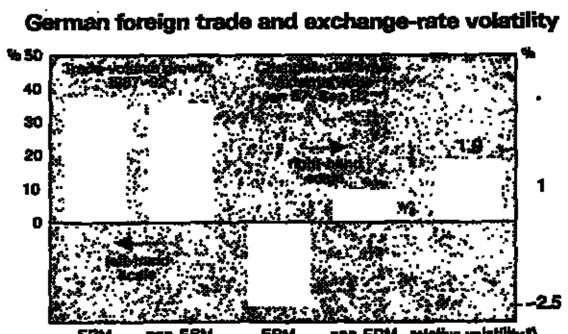
Within the context of the Single Market, such considerations lead not only to the question whether a fixed-rate regime is positive for trade, but also whether it stimulates economic growth. In particular, is it realistic to expect small and medium-sized companies to exploit the advantages of the Single Market?

Intra-EC trade, for instance, has expanded more strongly since the mid-1980s than the EC's trade with third countries. This cannot primarily be attributed to fixed nominal exchange rates, and, in any case, achieving the highest possible foreign sales and direct investments is not an end in itself: only if economic growth is stimulated as well can this be interpreted as a signal to politicians to go for irrevocably fixed exchange rates. Even though some of the "hard-core" EMS countries had attained a high level of stability by the end of the 1980s, this did not prevent ERM members from sliding into recession.

The creation of quasi-fixed ERM exchange rates has been instrumental in establishing monetary stability as a key policy goal in most Western European countries – including non-EC members; what is more, it gave rise to an acceptance of the burdens of disinflation which this goal entails. In addition, it has also been widely accepted that central banks should be independent. Yet this by no means implies that currencies' central rates should be stubbornly preserved once they have been fixed. For one thing, the recession has exposed the economic sins of the past in several countries; for another, Germany has to accommodate the asymmetric shock of unification. For the time being, flexible exchange rates are the appropriate answer to structural problems and recession.

The Single Market cannot be subjected to fixed exchange rates, let alone a common currency, until there is consensus, not only in monetary, but also in fiscal policy, and as regards the role of government in key areas of economic policy. Yet if the participating countries work together in a rational manner to realize their economic-policy targets, the Single Market will bear the hoped-for fruits even without an irrevocable fixing of exchange rates.

German foreign trade and exchange-rate volatility



*) Volatility of DM vis-à-vis non-ERM currencies relative to that vis-à-vis ERM currencies; **) period of unchanged parities.

COMMODITIES AND AGRICULTURE

EU official warns of German threat to Gatt deal

By Alison Maitland

Restoration of the costly "switchover" mechanism for European farm prices could jeopardise the peace clause agreed in the December Gatt deal, a senior European Commission official said yesterday.

The commission is strongly resisting German pressure to resurrect the mechanism, part of the "green money" system which translates Ecu-based support prices into national currencies. With switchover, every realignment of currencies pushes up farm prices in all member states in line with the rise in the strongest currency, usually the D-Mark.

The German government wants the mechanism, in abeyance since last August, to be restored to protect its farmers from losing income when the D-Mark is revalued. The future of the farm currency system will be decided under the German presidency of the EU in the second half of the year.

Mr Jim Cloos, chef de cabinet to Mr René Steichen, the agriculture commissioner, said the cost and inflationary impact of switchover "run counter to the main thrust of the [common agricultural policy] reform, that is, a reduction of production."

"They also have a damaging effect on our competitiveness, reduce our margin of manoeuvre as regards internal support and could impair the application of the peace clause," he told a conference organised by Agra Europe (London) entitled "Outlook '94".

The peace clause prevents Gatt signatories from challenging each other's agricultural systems, such as the CAP, for nine years from the start of the deal next year.

Mr Cloos said the Gatt agreement would not require "any significant additional efforts" by European farmers over and above the 1992 common agricultural policy reform, provided reform remained on track. The "green" currency question was one of the major threats to the reform, he said.

"It is understandable that governments want to protect their farmers from the full thrust of currency fluctuations. It is less so to totally insulate them from monetary realities which impose themselves on all other sectors of the economy."

Addressing Europe's commitments under the six-year Gatt deal, Mr Cloos said the reduction in subsidised cereals exports to 25.9m tonnes in 2000 might cause constraints. Projections put the exportable surplus of cereals close to 25m tonnes at that date, he said. But this assumes 1 per cent annual growth in yields, which some experts think is too low.

Mr Brian Gardner, managing director of EPA Associates, a Brussels-based food consultancy, told the conference CAP reform was unlikely to reduce budgetary expenditure, given that the profitability of most European farming depended on continuing compensation for cuts in support prices.

"If agricultural expenditure continues to exceed the budgetary limits, there is a likelihood that there could be a concerted attempt to cut back on the compensatory payments in the later years of a Gatt agreement," he said.

● Mr Cloos said the Commission was investigating two payment schemes to French pig producers, not just one, as Mrs Gillian Shephard, UK agriculture minister, asserted earlier this week. Britain has complained about the payments, saying they amount to unfair state aid which is damaging the UK pig industry.

South African gold mines steer round the rocks

Matthew Curtin describes the strategies of survival

South African gold mining output in 1993 is estimated at 622 tonnes, an increase of more than 1 per cent from 1992 and its highest level since 1986. That ranks as something of an achievement in an industry for which a sharp decline was forecast by some pundits when many mines struggled to survive rising costs and flat rand gold prices from 1988 to 1992.

The loss of tens of thousands of jobs, productivity improvements, the rand's fall against the dollar and increasingly complex use of derivatives to assure gold revenue have enabled all but two large producers to stay in business.

Industry results for the final quarter of 1993 showed, however, that survival could come at a cost. Some mines missed out on the full benefit of bullion's rally in 1993 as they locked in prices for part of their output at levels well below the spot level, while others began belatedly to catch up on capital spending neglected when the gold price was at its lowest.

Although the industry has survived one of the worst periods in its history largely intact the mines have entered a new era of caution. The shift has been slow but Mr Dennis Tucker, gold mining analyst at stockbrokers Martin & Co, believes it is distinct. "The mining houses crossed a threshold with the decisions in the past 18 months to develop new mines like Moab, South Deep and Target as add-on rather than stand-alone projects," he says.

Moab, providing replacement tonnage for Anglo American's Vaal Reefs at a current cost of R1.7bn (US$500m), is the farthest advanced of the projects. Anglovaal is developing the Target prospect from its marginal, short-life Loraine mine, from which it will in turn be able to develop its Sun prospect. The group decided in 1992 not to go ahead with the R2.5bn Sun project on its own, citing the uncertainty surrounding domestic politics and the gold market.

Johannesburg Consolidated Investment has been developing South Deep from the neighbouring Western Areas mine slowly, carefully exploring the gold-bearing reef from underground, rather than sinking a new shaft, which would cost at least R2bn.

"South Africa has little chance of seeing a repeat of past gold mining booms because of the geological maturity of the gold fields and unpredictability of gold prices," says Mr Lionel Hewitt, managing director of Anglo's gold and uranium division.

There is little prospect of discovering a new geologically well-defined field such as the ageing Evander region east of Johannesburg. What areas are left have difficult orebodies, likely to be exploited only with gold's price above R50,000 a kilogram ($450 a troy ounce) and significant technological improvements, Mr Hewitt adds.

He notes that expensive delays suffered by two now cash-strapped developing mines, Gencor's Oryx and JCI's Joel, have had a sobering effect on the industry, underscoring the high risks that come with deep-level mining. Much of the country's gold output is being extracted from more than 3,000 metres underground.

With little chance of fiscal incentives to reduce the risk of investment in new projects – local mining tax, at an effective 40 per cent, is higher than in Australia, Canada or the US – given the demands of reconstruction and development, Mr Bernard van Rooyen, recently retired as Gold Fields executive director responsible for new business, sees South African gold production declining by about 20 per cent in the years ahead to 450 to 500 tonnes a year. However, there are extensive ore reserves at depth on the periphery of many of the high-grade gold prices that will prove lucrative with productivity improvements, a better labour relations climate and more consistent use of appropriate technology.

"No other country has a gold mining industry which while more than a century old can boast that it has at least 30 years of mineable ore reserves left," says Mr van Rooyen.

India enchanted by mushroom magic

Output could grow by 800% in three years, writes Shiraz Sidhva

The dark brown morel mushrooms that grow wild in the coniferous hill forests of the Indian states of Himachal Pradesh, Uttar Pradesh and Jammu and Kashmir were until recently a delicacy reserved to the local tribes – because only they could tell the poisonous from the edible ones.

But Delhi traders have now changed all that. Realising the tremendous export potential of this delicious fungus they have persuaded the state governments to auction sections of forest land to them, so that they can reap the morels with the help of the tribesmen and export them to the US, Switzerland, Germany and France.

These traders are not alone in eyeing the fast-expanding global market for mushrooms. Keen to encourage agri-businesses, the Indian government is in the process of clearing over 20 joint ventures between Indian and foreign companies to cultivate mushrooms in India, primarily for the export market. The government's Foreign Investment Promotion Board has received investment proposals worth over Rs290bn (£6.25bn) for the food processing industry, many of them for mushroom cultivation.

Large foreign agri-business companies, including the Dutch giants, Dalsam Veciep, Haegens, and Genssen Kessel, Monterey Mushrooms of the US, and Turatti of Italy have already found Indian partners to set up mushroom cultivations and canning facilities at locations across the country.

India, the world's second-largest producer of vegetables (after China) and fruit (after Brazil), has only recently realised the tremendous export potential of the mushroom.

Mushroom cultivation last year accounted for only 3,500 of the 45m tonnes of vegetables produced, but the government says output will increase to over 30,000 tonnes in the next three years. Increased exports would then yield at least Rs1bn annually. The government expects at least 12 of the proposed projects to be set up in the next three years, each producing between 3,000 and 4,000 tonnes a year. Almost all India's existing mushroom farmers run small-scale units, growing the white button, oyster and paddystraw varieties.

Although mushroom farming is comparatively new in India investors are being attracted by abundant and cheap labour – mushrooms have to be picked and sorted by hand. Compost like chicken manure and paddystraw, which is an essential requirement for mushroom cultivation, is also easily available.

Most companies will cultivate white button mushrooms, which have a world market share of nearly 40 per cent. Though hilly areas provide the best climate for button mushrooms, more and more growers prefer using greenhouses in urban areas, to facilitate transport and distribution. Mushrooms are highly perishable, and the domestic market for them is negligible.

"We are very keen to invite foreign investment in this area because improved technology and state-of-the-art processing machinery could make India an important mushroom centre," says an official in the government's ministry of food processing industries. "Few mushroom farmers can afford the Rs200,000 it takes to set up a greenhouse unit," he adds.

As part of its efforts to boost mushroom exports, the Indian government has approached the European Union for a quota, to save the additional customs duty levied on third-world countries without a quota. "Our mushroom exports have been so negligible, we did not need a quota," the official says. "But we soon will, unless the quota system is abolished altogether."

Foreign investors, some of whom have applied for permission to set up as many as five plants in different locations, say that the quality of the mushrooms available in the Indian market needs to be improved to be able to compete in the world market. Planting material and processing equipment for freeze-drying, dehydrating, pickling and deep-freezing will have to be imported.

"The largest names in the business will soon be here, but we have to ensure that with them comes the technology and research and development input it takes to make Indian mushrooms global," says Mr C.K. Basu, an official in the food processing industries ministry.

Further cocoa deficits forecast

The world cocoa market could see three further years of production deficits, two of surplus and then another two years of shortfalls, according to a paper drawn up by the secretariat of the International Cocoa Organisation (ICCO), reports Reuter.

The paper was discussed yesterday at the first council session of the new cocoa agreement.

Earlier this month, the ICCO projected a production deficit of 110,000 tonnes in 1993-94 (October-September), which would be the third in succession. This deficit could grow to 209,000 tonnes in 1994-95 and then be reduced to 135,000 tonnes in 1995-96 and 31,000 tonnes in 1996-97, the paper suggested. Two years of small production surpluses of 30,000 tonnes and 18,000 tonnes were then likely, followed in 1999-2000 and 2000-2001 by shortfalls of 41,000 tonnes and 95,000 tonnes.

"Cocoa prices. . . are projected to continue to show significant gains over the next two years. A noticeable consequence of the price rises is that growth in the world consumption of cocoa. . . is expected to be arrested and may even suffer a decline after the 1994-95 season," the paper said.

MARKET REPORT

Base metal prices rally from morning lows

Base metals managed to move off their lows by the end of a generally uninspiring day's London Metal Exchange trading, although prices still finished lower.

Three months delivery ALUMINIUM fluctuated around $1,300 a tonne for most of the afternoon, with speculative buying helping to prevent a serious downside move.

COPPER never fully recovered from falling below a key chart level at $1,885, although the resulting stop-loss selling was not so heavy as to cause a serious breakdown.

LEAD perked up during the final minutes of the after hours trading session, although it still ended $12 down.

At the London Commodity Exchange COFFEE lost nearly all the advance made in the morning on reports that the Brazilian government was prepared to help with the coffee sector's financing.

Compiled from Reuter

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1279.5-80.5	1302-3
Previous	1288-9	1310-1
High/low		1308/1286
AM Official	1269.5-70.5	1292-3
Kerb close		1301-2
Open int.	274,923	
Total daily turnover	49,037	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1140-50	1160-70
Previous	1138-43	1160-5
High/low		1165/1150
AM Official	1120-1	1140-50
Kerb close		1150-60
Open int.	3,741	
Total daily turnover	490	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	465.5-6.5	479-80
Previous	478-9.5	492.5-3
High/low		493/480
AM Official	468-9	482-2.5
Kerb close		483-4
Open int.	34,767	
Total daily turnover	7,412	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	5820-30	5880-90
Previous	5855-65	5915-20
High/low	5835/5830	5925/5860
AM Official	5830-5	5895-900
Kerb close		5880-5
Open int.	49,439	
Total daily turnover	12,450	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5425-30	5445-50
Previous	5575-80	5685-90
High/low		5530/5440
AM Official	5415-25	5440-5
Kerb close		5500-10
Open int.	19,812	
Total daily turnover	6,554	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	950-1	968-9
Previous	966.5-7.5	984-5
High/low	951	981/967
AM Official	951-1.5	969-9.5
Kerb close		972-3
Open int.	107,230	
Total daily turnover	13,395	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1858.5-9.5	1881-2
Previous	1881.5-2.5	1904-5
High/low	1857.5	1892/1873
AM Official	1857.5-8	1880-0.5
Kerb close		1880-1
Open int.	249,813	
Total daily turnover	35,796	

■ LME AM Official £/$ rate: 1.4775
LME Closing £/$ rate: 1.4760

Spot 1.4755 3 mths:1.4702 6 mths:1.4663 9 mths:1.4633

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open Int	Vol
Feb	86.10	-0.40	86.10	85.80	296	171
Mar	85.95	-0.35	86.20	85.40	19,012	7,671
Apr	86.20	-0.30	86.40	86.10	912	54
May	86.45	-0.30	86.60	85.90	26,088	6,583
Jun	86.55	-0.25	-	-	860	12
Jul	86.65	-0.25	86.70	86.00	7,077	309
Total					63,274	14,866

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	378.20-378.70	
Opening	377.30-377.70	
Morning fix	377.50	255.551
Afternoon fix	375.75	254.401
Day's High	378.75-379.25	
Day's Low	374.50-375.00	
Previous close	378.60-379.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.02	6 months	3.17
2 months	3.05	12 months	3.32
3 months	3.07		

Silver Fix	p/troy oz.	US cts equiv.
Spot	350.70	518.25
3 months	354.95	522.80
6 months	359.05	527.10
1 year	367.15	537.25

Gold Coins	$ price	£ equiv.
Krugerrand	378-381	256-258
Maple Leaf	388.15-390.60	
New Sovereign	89-92	60-63

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open Int	Vol.
Feb	377.7	-0.3	378.6	376.3	2,098	168
Mar	377.7	-0.3	-	-	9	-
Apr	378.9	-0.3	380.5	375.7	69,564	21,944
Jun	380.9	-0.3	382.5	377.7	29,616	620
Aug	383.1	-0.3	382.0	380.5	5,065	56
Oct	385.5	-0.3	385.7	385.0	4,308	20
Total					138,986	23,455

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open Int	Vol.
Apr	391.2	-5.9	396.5	388.0	17,628	2,668
Jul	390.6	-5.9	395.0	388.0	3,469	272
Oct	390.8	-6.3	395.0	389.0	489	10
Jan	391.2	-6.7	393.0	388.0	483	13
Apr	392.2	-6.7	393.5	393.5	236	1
Total					22,305	2,964

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open Int	Vol.
Mar	133.75	+0.05	133.75	132.50	1,545	295
Jun	133.85	+0.45	134.00	132.50	3,104	321
Sep	133.40	+0.45	133.00	133.00	261	51
Dec	133.15	+0.45	-	-	150	26
Total					5,060	693

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Open Int	Vol.
Feb	522.9	+1.6	-	-	-	-
Mar	523.0	+1.5	528.0	516.5	48,729	16,150
May	526.8	+1.6	529.5	520.0	34,839	7,372
Jul	530.4	+1.7	533.5	524.0	12,097	2,393
Sep	534.1	+1.7	535.5	534.0	3,532	236
Dec	539.5	+1.7	542.0	534.0	8,493	38
Total					115,482	26,205

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open Int	Vol
Apr	14.53	+0.14	14.58	14.38	18,619	36,343
May	14.70	+0.13	14.73	14.55	110,673	50,679
Jun	14.98	+0.11	14.93	14.80	47,588	7,955
Jul	15.13	+0.12	15.13	15.02	59,070	3,987
Aug	15.32	+0.09	15.33	15.23	23,627	2,134
Sep	15.54	+0.11	15.54	15.48	13,950	502
Total					432,380	104,876

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open Int	Vol
Apr	13.43	+0.19	13.45	13.27	68,195	23,865
May	13.59	+0.18	13.60	13.43	27,530	7,403
Jun	13.75	+0.10	13.76	13.67	12,185	1,477
Jul	13.90	+0.15	13.93	13.85	9,123	349
Aug	14.08	+0.15	14.08	14.04	4,448	100
Sep	-	-	-	-	2,651	24
Total					127,671	33,166

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open Int	Vol
Mar	47.45	+0.62	47.60	46.85	29,904	17,372
Apr	44.90	+0.28	45.10	44.75	44,927	12,239
May	43.58	+0.23	43.60	43.35	40,768	2,936
Jun	43.60	+0.28	43.60	43.40	24,464	2,155
Jul	44.25	+0.33	44.25	44.00	18,395	1,983
Aug	45.00	+0.33	45.05	44.75	8,598	909
Total					189,240	38,994

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open Int	Vol
Mar	141.00	+1.50	141.25	139.25	35,444	8526
Apr	140.00	+1.25	140.25	139.00	20,052	3157
May	139.25	+0.75	139.00	138.75	13,132	1104
Jun	140.00	+1.00	140.00	139.25	15,190	655
Jul	142.00	+1.25	142.00	141.00	9,983	534
Aug	144.25	+1.25	144.00	143.75	4,985	42
Total					118,955	14,390

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open Int	Vol
Apr	2.285	-0.011	2.320	2.251	19,090	5,062
May	2.210	-0.010	2.230	2.180	12,563	1,568
Jun	2.185	+0.005	2.195	2.160	9,338	798
Jul	2.180	-	2.175	2.145	8,404	277
Aug	2.165	+0.005	2.170	2.155	8,083	368
Sep	2.165	+0.008	2.185	2.180	8,797	109
Total					115,460	9,389

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open Int	Vol
Mar	43.45	-0.15	44.10	43.35	18,381	12,859
Apr	45.30	+0.04	45.60	45.15	37,882	10,312
May	45.90	+0.20	46.00	45.60	38,401	2,607
Jun	46.45	+0.32	46.45	46.15	16,021	1,141
Jul	46.65	+0.32	46.65	46.25	4,203	694
Aug	46.20	-0.03	46.00	46.00	4,193	1,047
Total					123,428	28,146

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open Int	Vol
Mar	100.60	+1.00	100.60	199.70	351	127
May	102.30	+1.10	102.25	101.40	1,974	195
Jun	102.25	+0.95	101.30	101.30	354	15
Sep	90.50	+0.05	90.50	90.50	197	5
Nov	91.50	+0.05	91.50	91.50	918	10
Jan	93.50	+0.20	93.50	93.50	355	25
Total					4,291	377

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open Int	Vol
Mar	355/6	-2/4	359/2	354/0	58,490	28,280
May	356/4	+4/2	357/0	350/4	51,930	18,160
Jul	346/4	+5/4	346/0	338/0	87,250	17,355
Sep	347/0	+6/2	347/0	339/6	14,090	955
Dec	355/0	+6/0	355/0	347/0	16,730	1,590
Mar	359/0	+6/2	-	-	5	-
Total					228,590	66,320

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open Int	Vol
Mar	287/6	-1/2	290/2	287/4	254,730	107,350
May	294/0	-1/4	296/6	293/6	577,740	169,685
Jul	297/0	-1/2	298/4	296/4	478,340	83,515
Sep	282/6	-0/2	284/4	282/4	109,220	6,520
Dec	268/6	+0/4	270/0	268/4	252,435	33,085
Mar	275/0	+1/0	276/0	274/4	16,280	610
Total					1,696M	401,975

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open Int	Vol
Mar	104.10	+0.70	104.15	103.40	331	112
May	104.50	+0.75	103.75	103.75	199	11
Sep	91.80	-0.15	-	-	119	-
Nov	93.75	-0.25	93.75	93.75	48	20
Jan	95.50	-0.60	-	-	3	-
Mar	98.75	-	-	-	-	-
Total					700	143

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open Int	Vol
Mar	681/6	+2/6	688/0	679/0	167,245	77,705
May	688/0	+1/6	692/4	685/4	266,575	153,210
Jul	691/2	+1/4	695/0	688/6	196,080	51,980
Aug	684/2	+0/6	688/6	682/6	35,430	6,925
Sep	667/6	+0/2	672/0	667/4	19,255	3,190
Nov	655/6	-0/4	659/0	654/2	117,270	17,140
Total					819,935	316,985

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open Int	Vol
Mar	28.54	-	28.87	28.50	20,508	5,761
May	28.56	-0.03	28.89	28.56	30,683	8,140
Jul	28.53	-0.02	28.85	28.51	22,268	4,389
Aug	28.18	-0.02	28.45	28.15	6,852	437
Sep	27.70	-0.07	27.95	27.70	5,644	161
Oct	26.75	-0.14	27.00	26.75	4,851	250
Total					103,258	21,847

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open Int	Vol
Mar	195.2	+0.1	195.6	194.5	19,900	5,301
May	196.2	+0.3	196.7	195.5	28,023	6,202
Jul	197.6	+0.5	198.0	196.7	16,538	3,179
Aug	195.7	+0.9	196.8	195.7	6,973	251
Sep	195.4	+0.5	195.9	194.7	4,767	153
Oct	194.0	+0.5	194.5	193.5	2,814	26
Total					90,288	16,692

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open Int	Vol
Mar	140.0	+5.0	-	-	34	-
Apr	108.5	+0.2	109.0	108.0	1,747	51
May	127.9	+1.6	128.0	128.0	947	33
Jun	130.0	-	-	-	2	-
Nov	90.0	-	-	-	-	-
Mar	105.0	-	-	-	-	-
Total					2,736	84

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open Int	Vol
Feb	1125	-5	1128	1125	132	12
Mar	1125	-31	1140	1125	367	46
Apr	1180	-40	1215	1180	1,336	135
Jul	1075	-35	1180	1080	535	98
Oct	1250	-3	1250	1245	243	20
Jan	1285	-15	1285	1285	74	10
Total					2,712	371

	Close	Prev
BFI	1123	1127

Cotton
Spot and shipment sales in Liverpool amounted to 50 tonnes for the week ended February 18, against 131 tonnes in the previous week. Restricted operations involved few fresh dealings. Only occasional interest was displayed in Mali styles.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open Int	Vol
Mar	910	+8	916	904	13,991	1371
May	928	+5	936	921	21,421	2681
Jul	939	+5	947	930	11,888	840
Sep	949	+4	957	944	11,158	307
Dec	963	+7	968	956	17,102	395
Mar	977	+5	984	971	25,159	156
Total					117,773	5,873

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open Int	Vol
Mar	1151	+6	1159	1143	856	196
May	1172	+10	1178	1163	34,215	4,268
Jul	1196	+11	1200	1187	15,981	436
Sep	1217	+7	1220	1210	8,037	135
Dec	1245	+7	1255	1243	6,109	133
Mar	1280	+9	1283	1273	7,917	9
Total					82,935	5,258

■ COCOA (ICCO) (SDR's/tonne)

Feb 22	Price	Prev. day
Daily	915.37	913.01
Feb 23		
10 day average	886.62	882.25

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open Int	Vol
Mar	1224	-5	1241	1223	4,584	759
May	1235	+2	1253	1236	15,521	1779
Jul	1230	+1	1241	1230	7,754	1029
Sep	1231	-2	1240	1230	3,419	451
Nov	1234	-1	1237	1237	3,205	10
Jan	1233	-1	1237	1236	3,990	29
Total					38,469	4,057

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open Int	Vol
Mar	76.36	+0.05	76.95	76.00	1,450	781
May	76.10	-	78.80	77.80	30,703	8,542
Jul	79.45	-0.05	79.95	79.30	7,208	893
Sep	80.70	-0.05	81.10	80.50	4,774	364
Dec	81.86	-0.05	82.20	81.85	2,916	107
Mar	82.85	-0.10	83.10	83.00	983	10
Total					48,069	10,702

■ COFFEE (ICO) (US cents/pound)

Feb 22	Price	Prev. day
Comp. daily	73.41	Unq.
15 day average	72.21	Unq.

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open Int	Vol
Mar	11.33	+0.24	11.12	11.10	1,120	129
May	11.78	+0.20	11.51	11.51	1,335	124
Jul	12.33	+0.37	-	-	2,863	-
Oct	11.78	+0.37	-	-	125	-
Total					5,443	253

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open Int	Vol
May	318.50	+8.00	318.80	310.50	8,959	1,255
Aug	316.30	+7.80	316.30	308.50	3,269	439
Oct	298.50	+5.50	298.00	283.20	2,924	427
Dec	296.00	+6.00	291.50	291.50	109	10
Mar	296.10	+6.10	295.00	292.00	106	11
May	296.60	+6.30	297.00	297.00	27	1
Total					13,403	2,159

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open Int	Vol
Mar	11.16	+0.27	11.20	10.87	12,570	12,020
May	11.64	+0.40	11.67	11.25	68,272	17,787
Jul	11.76	+0.38	11.77	11.40	24,898	3,390
Oct	11.46	+0.28	11.46	11.15	19,754	1,915
Mar	11.33	+0.25	11.33	11.10	5,871	254
May	11.26	+0.17	11.17	11.13	641	45
Total					122,814	35,464

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open Int	Vol
Mar	78.90	-0.35	79.20	78.70	1,879	1,256
May	79.30	-	79.50	78.95	27,099	3,940
Jul	79.78	+0.13	79.85	79.52	11,933	2,437
Oct	75.10	-0.08	76.45	76.05	2,246	579
Dec	72.35	+0.10	72.40	72.10	10,373	2,137
Mar	73.05	+0.05	73.10	73.00	311	32
Total					53,944	12,381

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open Int	Vol
Mar	104.15	-1.65	108.00	104.00	5,794	1,070
May	107.45	-1.70	109.25	106.75	6,201	1,245
Jul	110.45	-1.35	111.80	109.00	3,424	220
Sep	113.05	-1.15	114.00	112.85	1,347	167
Nov	115.00	-1.00	115.00	114.50	969	189
Jan	117.35	-0.95	117.50	116.50	987	64
Total					18,709	2,956

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Feb 23	Feb 22	month ago	year ago
1789.4	1794.4	1711.4	1769.9

■ CRB Futures (Base: 4/9/56=100)

Feb 22	Feb 21	month ago	year ago
227.84	(c)	225.79	203.84

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open Int	Vol
Apr	75.575	-0.250	75.900	75.525	37,345	4,535
Jun	74.400	-0.100	74.600	74.325	20,390	1,612
Aug	73.200	+0.050	73.325	73.100	12,020	624
Oct	73.575	-	73.675	73.450	9,476	430
Dec	73.950	-	73.975	73.850	1,984	17
Feb	73.525	-	-	-	725	5
Total					81,936	7,263

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open Int	Vol
Apr	49.550	-0.600	50.200	49.450	13,776	1,481
Jun	55.025	-0.750	55.775	54.950	8,132	1,086
Jul	54.350	-0.600	54.800	54.150	2,975	157
Aug	52.450	-0.425	52.850	52.450	2,513	184
Oct	48.500	-0.200	48.800	48.400	1,478	29
Dec	49.050	-0.350	49.300	48.950	1,189	35
Total					30,401	2,951

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open Int	Vol
Mar	56.875	-2.000	58.550	56.875	1,828	833
May	57.525	-2.000	58.900	57.825	4,738	880
Jul	57.400	-1.650	59.150	57.300	2,248	369
Aug	54.975	-1.750	56.200	54.900	437	35
Feb	58.750	+0.250	58.750	58.500	8	9
Total					9,881	2,138

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Apr	Jul	Apr	Jul
1275	50	78	28	43
1300	37	65	40	54
1325	26	53	54	67
■ COPPER (Grade A) LME	Apr	Jul	Apr	Jul
1850	59	93	34	82
1900	35	67	60	75
1950	19	47	93	104
■ COFFEE LCE	May	Jul	May	Jul
1200	66	82	28	52
1250	40	58	52	78
1300	23	41	85	111
■ COCOA LCE	May	Jul	May	Jul
900	52	72	24	34
925	42	58	39	45
950	28	46	50	58
■ BRENT CRUDE IPE	Apr	May	Apr	May
1300	-	-	-	41
1350	35	65	43	62
1400	16	47	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Apr) +or-

Dubai	$12.46-2.49w	+0.015
Brent Blend (dated)	$13.16-3.19	-0.015
Brent Blend (Apr)	$13.40-3.41	+0.05
W.T.I. (1pm est)	$14.51-4.54	+0.095

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$154-156	
Gas Oil	$144-146	+2.5
Heavy Fuel Oil	$80-81	+0.5
Naphtha	$134-136	+1.0
Jet Fuel	$159-161	+1.5

Petroleum Argus Estimates

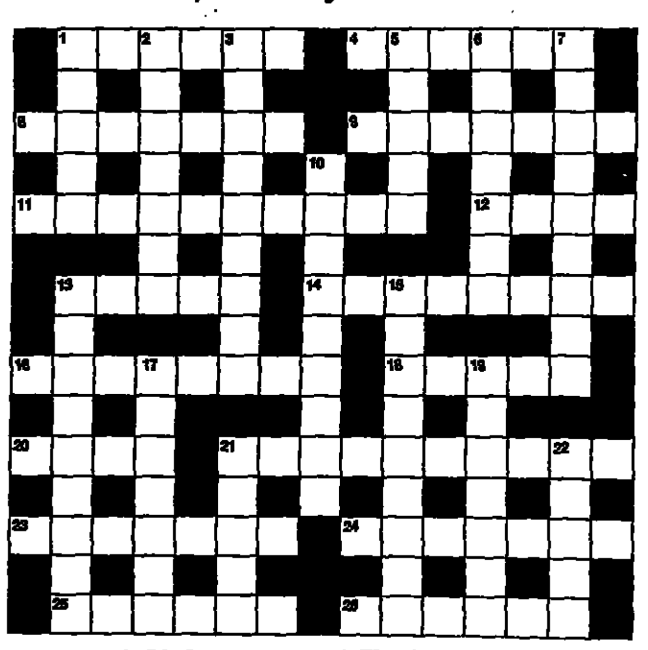
■ OTHER

Gold (per troy oz)♣	$378.45	-0.35
Silver (per troy oz)♣	524.5c	+4.0
Platinum (per troy oz.)	$392.00	-3.85
Palladium (per troy oz.)	$131.75	-1.00
Copper (US prod.)	92.0c	
Lead (US prod.)	35.00c	
Tin (Kuala Lumpur)	16.05m	-0.08
Tin (New York)	254.50c	-3.00
Zinc (US Prime W.)	Unq.	
Cattle (live weight)†	123.33p	-0.07*
Sheep (live weight)†♣	119.16p	+2.03*
Pigs (live weight)	74.40p	+0.46*
Lon. day sugar (raw)	$271.70	-2.20
Lon. day sugar (wte)	$316.70	+0.20
Tate & Lyle export	$295.60	-2.00
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£129.0	
Wheat (US Dark North)	£143.5	
Rubber (Apr)♥	64.25p	-0.25
Rubber (May)♥	64.50p	-0.25
Rubber (KL RSS No1 Feb)	239.00m	
Coconut Oil (Phil)§	$665.0x	-5.0
Palm Oil (Malay.)§	$375.0	
Copra (Phil)§	$370.0	
Soyabeans (US)	£188.0z	+1.00
Cotton Outlook A index	82.25c	+1.30
Wooltops (64s Super)	377p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Feb/Apr w Apr. z Mar. t Feb/Mar. x Apr/May. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♣ Sheep (Live weight prices). * Change on week, provisional prices.

CROSSWORD

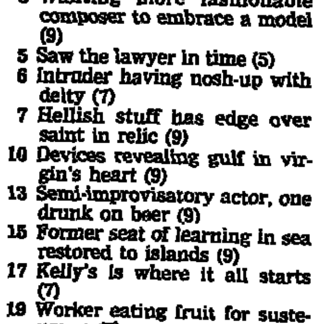
No.8,388 Set by DOGBERRY



ACROSS
1 Warning northerner to return home (6)
4 Tree snake turned into short infant (6)
8 Composer alight at symphony's overture and finale (7)
9 Expressing disgust with unusual weather in the Gulf? (7)
11 Do go on about Royal favourite (10)
12 Stay at the back (4)
13 Oddly, agree on day and place of battle (5)
14 Paragon of pony hire (8)
16 Revolutionary shade to reach consensus in three points (3-5)
18 Go on holiday (5)
20 Flipped – flipped? – with shock (4)
21 Treated a tiny girl's disorder (10)
23 Take liberties with reflective type retreating into gym (7)
24 Concentrate on depicting oriental scenes (7)
25 Politician threw back gold (6)
26 Guideline for stopper? (6)

DOWN
1 Recurrent phrase in Lawrence: "Crossing the Border" (5)
2 Screw up many a loveless lawyer (7)
3 Wanting more fashionable composer to embrace a model (9)
5 Saw the lawyer in time (5)
6 Intruder having nosh-up with deity (7)
7 Hellish stuff has edge over saint in relic (9)
10 Devices revealing gulf in virgin's heart (9)
13 Semi-improvisatory actor, one drunk on beer (9)
15 Former seat of learning in sea restored to islands (9)
17 Kelly's is where it all starts (7)
19 Worker eating fruit for sustenance (7)
21 26 by 8? (5 or 2,3)
22 Be liable to upset regional police and their region (5)

Solution 8,387



JOTTER PAD

LONDON STOCK EXCHANGE

MARKET REPORT

Footsie rallies but closes below the day's best

By Terry Byland,
UK Stock Market Editor

The London stock market tried hard to rally yesterday as it digested Tuesday's comments on economic and interest rate prospects from both sides of the Atlantic. But the FT-SE 100 Index failed to sustain a brief recovery to the important 3,350 mark. Bond markets continued to set the pace, and UK equities were unsettled at the close when US Federal bonds, and Wall Street, displayed an easier trend. The final reading showed the FT-SE 100 at 3,341.9 for a gain of 8.2.

Investors remained torn between the favourable views on the domestic economy expressed by the UK government's independent advisory panel – the Wise Men – and the discouragement of short-term interest rate optimism from both the panel and from Mr Alan Greenspan, US Federal Reserve chairman.

In addition, the equity market had to face the implications of the auction of £2.5bn of UK government securities, and trading results from a number of leading companies, which produced several sharply diverging price movements.

The Footsie, helped by Wall Street's firm response overnight to Mr Greenspan's congressional testimony, and led by London's stock index futures market, advanced 14.7 to 3,348.4 in early trading. Gilt-edged stocks moved erratically as the auction unwound and the US bond market braced itself for the outcome of the auction of two-year Federal notes in New York. A rally in bonds later carried the Footsie briefly to 3,355, a net rise of 21 points and a brief recapture of an important benchmark for the stock market.

Account Dealing Dates		
*First Dealings: Feb 14	Feb 28	Mar 14
Option Declarations: Feb 24	Mar 10	Mar 24
Last Dealings: Feb 25	Mar 11	Mar 25
Account Day: Mar 7	Mar 21	Apr 5

*New time dealings may take place from two business days earlier.

The financial sectors suffered a further setback after National Westminster Bank disclosed a profits and dividend gain which fell far short of market expectations. Results from Commercial Union were overshadowed by the uncertainty cast over the insurance sector in the previous session when Guardian Royal Exchange warned of increasing competition. Shares in British Aerospace improved, however, following the trading statement, which showed heavy provisions in the turbo divisions.

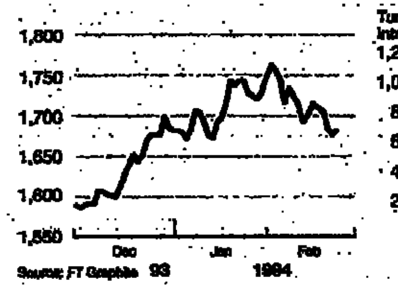
Today brings a list of trading reports from leading UK companies, including British Gas, Shell Transport and ICI. Some analysts believe that, following comments from the Wise Men, the UK stock market may now turn away from the interest rate factors which have been influencing shares, and look for signs from corporate profits statements that economic recovery is showing through in profit and loss accounts.

An indication of recovering confidence among investors was shown by the increase in Seaq trading volume to 822.4m shares from the 625.1m of the previous session. Second line issues played a significant role, making up around 60 per cent of the total, and the FT-SE Mid 250 Index put on 6 points at 3,974.9.

Equity trading volume has been falling away since the Footsie began to give ground, but there was a sharp recovery on Tuesday when retail, or genuine customer, business in UK shares jumped to £1.6bn, a return to the best levels of the past 12 months.

There were indications yesterday that analysts of the London market, while remaining optimistic overall, were reconsidering their year-end targets in the wake of the discouragement given to base rate optimism this week. Some believe that European bond markets may be able to uncouple from trends in the US fixed interest sector.

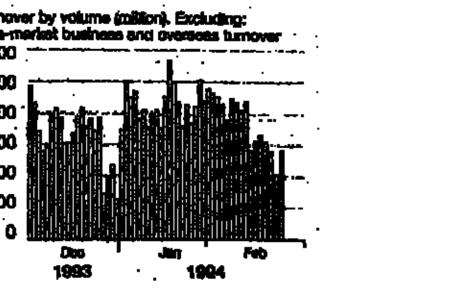
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ **Key Indicators**

Indices and ratios

FT-SE 100	3341.9	+8.2	FT Ordinary Index	2578.4	+1.9
FT-SE Mid 250	3974.9	+6.0	FT-SE-A Non Fins p/e	22.28	(22.36)
FT-SE-A 350	1691.6	+3.7	FT-SE 100 Fut Mar	3338.0	+15.0
FT-SE-A All-Share	1682.83	+3.52	10 yr Gilt yield	6.80	(6.77)
FT-SE-A All-Share yield	3.37	(3.38)	Long gilt/equity yld ratio:	2.15	(2.15)

Best performing sectors

1. Spirits, Wines .... +1.5
2. Extractive Inds .... +1.4
3. Breweries .... +1.3
4. Water .... +1.1
5. Chemicals .... +0.8

Worst performing sectors

1. Insurance .... -0.7
2. Banks .... -0.6
3. Food Manufacturers .... -0.5
4. Merchant Banks .... -0.4
5. Transport .... -0.3

NatWest fails to please

Financial stocks were shaken as National Westminster Bank reported preliminary profits at the lower end of market estimates and disappointed the market's optimists in revealing a 6 per cent increase in the dividend total.

NatWest shares plunged soon after the figures were released and ended a turbulent session 28½ lower at 503½p. The pressure of selling was sufficient to produce the heaviest day's business in NatWest shares – 20m – since September 17, 1992, the day after the UK withdrew from the ERM.

One bank specialist said the market was not especially perturbed by the profits and dividend figures but there was a worry that the underlying profits could be coming under pressure. There was also concern that the exceptionally good results from NatWest Markets may not be sustainable.

BAe doubts

A strong initial rise in British Aerospace was checked by sharp profits downgrades as the market looked towards the near-term prospects for the group. The shares were up 35 at best but ended the day 9 ahead at 549p after hefty trading of 7.6m.

BAe reported losses sharply reduced at £237m, a near 20 per cent jump in the dividend, favourable cash flow and a lack of surprise write-offs.

However, the analysts' meeting with the company dispersed the euphoria as it became clear that big losses at the group's commercial aircraft division were set to continue. BAe also indicated that defence profits were likely to soften over the next two years.

Long-term bull Strauss Turnbull reduced it current-year forecast by £35m to £215m and Paribas cut by £60m to £190m. Mr Paul Compton of Credit Lyonnais Laing came in at the bottom of the range with a £165m estimate but remained guardedly optimistic. "The financial implications of the recent Rover deal are so significant as to outweigh trading disappointment," he argued.

Foods uncertain

The spectre of restructuring charges hung over several food manufacturing stocks following the £490m provision by Unilever on Tuesday. The Anglo-Dutch company blamed tough competition in Europe and the US for the move, raising fears that companies in similarly competitive markets will also be forced to retrench.

United Biscuits, which reports finals on March 17, was one company attracting speculation, the shares dipping 4 to 338p. The company reported flat profits at the half-way stage in the face of fierce competition in the biscuit market and at its US subsidiary Keebler. Also touted was Unigate, which faces restructuring in the UK dairy market later this year, and continuing changes in consumer tastes as more people use cartons instead of bottles. The shares fell 6 to 373p. Unilever retreated a further 12 to 1150p on negative comments on the provisions.

British Gas attracted exceptionally heavy two-way activity following the regulator's annual review and ahead of preliminary figures today. Some 15m Gas shares changed hands, with dealers saying that one big institution, which had been responsible for much of the selling on Tuesday, was continuing to unload stock. The stock was easily absorbed and Gas shares held up well to close unaltered at 339p. Traders said today's results could contain exceptional restructuring of up to £1bn.

BP continued to edge higher, closing 3 up at 369p on heavy turnover of 14m although some traders expressed surprise at BP's resilience in the face of some continued selling from the US. Shell, also made progress ahead of today's full-year results and rose 4 to 722p.

Barclays Bank shares were unsettled by the slide in NatWest and dropped 10 to 564p, but closed well above the day's low point of 544p, after big turnover of 9.7m. Lloyds, on the other hand, were boosted by switching out of the likes of NatWest and Barclays and settled 13 higher at 597p. A seller of a block of 2.5m shares depressed Abbey National, which closed at 507p.

Commercial Union's preliminary results and dividend were above most market expectations and triggered an early rise in the shares, although this was eroded later in the day as dealers continued to fret about pressures on insurance rates in the UK. Marked up to 634p at the outset CU shares subsequently fell back to close a net 8 off at 616p. Royals were upset by worries about the market's response to the current crop of results and settled 8 off at 290p.

Mining group RTZ closed 14 higher at 828p in the registered shares with Kleinwort Benson repeating its buy stance and helping the stock recover from recent falls. Analysts also expect good figures next week from CRA, the Australian mining conglomerate in which RTZ has a 49 per cent stake.

Hanson rebounded 4 to 279p on consideration of Tuesday's $1bn convertible bond issue. Turnover of 11m shares was boosted by the equivalent of 6.5m shares traded in the form of options.

Bread and pet foods group Carrs Milling attracted bid talk following disclosure late on Tuesday that Northern Foods had sold its 4.74 per cent stake to an unidentified buyer. Dalgety was an early favourite, but sources close to Carrs insisted that the stake went to institutions. Carrs surged 12 to 209p. Dalgety fell 10 to 467p.

Engineering group Siebe broke finished 17 ahead at 606p. The group is to hold a presentation at S.G. Warburg next week. BBA Group, shed 5 to 214p, amid fears that it will announce a charge to cover redundancies with next month's full-year figures. There were also whispers that the dividend may be reduced.

Chloride, the batteries manufacturer, held at 32½p, with the market alerted to the placing of a near 20 per cent stake in the company by SSA & Partners, the Swedish company. Turnover in Chloride reached 95m shares.

Other big moves

Hunters Armley, the printing group, jumped 15 to 223p on the back of a positive annual meeting and analysts' visit.

Shares in British Thornton, the furniture and packaging group, lost 21 at 139p on its announcement that no improvement was expected at Masterpack, its subsidiary.

Higher profits at Community Hospitals lifted the shares 7 to 294p. Bespak, medical equipment manufacturer, fell 10 to 363p ahead of results from US Surgical which accounts for about a quarter of group sales.

Tring International the compact disc manufacturer, made an impressive market debut. The shares were placed at 118p, started trading at 131p and eneded the day at 139p.

MARKET REPORTERS:
Christopher Price,
Peter John, Joel Kibazo,
Steve Thompson.

■ Other statistics, Page 21

NEW HIGHS AND LOWS FOR 1993/94

NEW HIGHS (82).

[illegible]

NEW LOWS (18).

[illegible]

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures failed to sustain a rally brought about by demand from UK institutions and once again closed below the recent support level of 3,350, *writes Joel Kibazo.*

Having opened at 3,341, the March contract on the FT-SE 100 was actively sold by leading US houses in the first part of the session, leaving it to fall to a day's low of 3,329. It was UK buyers that helped to bring a rally in March and continued demand saw the contract return to trade above its recent support level by mid-afternoon, reaching a peak of 3,359.

A poor start on Wall Street led to renewed profit-taking until the end of the session. March finished at 3,338, a small discount to cash and 8 points below its estimated fair value premium to cash which stands at minus 7 on this account. Volume at the official close was 15,714 contracts.

Heavy trading in Hanson contributed to an increase in turnover in the traded options. Total volume was 54,400 lots. The FT-SE 100 option saw business of 15,377 and the Euro FT-SE 100 option 1,336 contracts dealt. In the stock options, Hanson led the way with 6,468 lots traded, the February 280 calls being the busiest series. It was followed by Barclays at 2,856 and Tesco at 2,823.

Activity in the FT-SE Mid 250 futures contract traded on the OMLX remained low, with a mere 188 lots dealt.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3341.0	3338.0	15.0	3359.0	3320.0	18635	50930
Jun	3357.0	3351.5	15.0	3364.0	3348.0	675	13936
Sep	3373.0	3372.0	15.0	3373.0	3373.0	20	390

Contract traded on APT. Open interest figures are for previous day.

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Volume	Open int.
Mar	3980.0	3979.5	-0.5	3980.0	3970.0	173	2,871
Jun		3989.5					

All open interest figures are for previous day.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3339) £10 per full index point

	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P	3300 C	3300 P	3350 C	3350 P	3400 C	3400 P	3450 C	3450 P	3500 C	3500 P
Mar	200½	10½	157½	16½	118½	28½	80	40½	53	64	31½	94	17½	132	8	175½
Apr	213½	28½	174½	37½	138½	51½	107	68½	78½	91	57	119½	38	151	26	188
May	227	43½	198	55½	162½	68½	133	88½	104	109	81	136½	60	165½	45	200½
Jun	251	53	215	67	180	82	152	102½	122	122	93½	150	78	178	68½	211
Dec†			289	119			229½	155½			177	202			132	258

Calls 6,023 Puts 9,354

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3175		3225		3275		3325		3375		3425		3475		3525	
Mar	174½	13	132½	19½	94½	32½	64½	50½	40½	77½	22½	111½	12	150½	6½	192½
Apr	195	32½	155	42½	123	60	91	77½	67½	104	48½	132½	32	167½	28	205
May			183	63			121	100			72½	150			40	216
Jun			194½	69½			136	108½			88½	160			54½	224½
Sept†			236½	95½			178	139			138	180½			98½	238½

Calls 1,134 Puts 202 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

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FT - SE Actuaries Share Indices — The UK Series

[illegible]

■ FT-SE Actuaries All-Share

[illegible]

■ Hourly movements

[illegible]

■ FT-SE Actuaries 350 Industry baskets

[illegible]

[illegible]

TRADING VOLUME

■ **Major Stocks yesterday**

	Vol. 000s	Closing price	Day's change
ASDA Group†	13,000	68	+¼
Abbey National†	8,900	507	-5
Albert Fisher	120	88	
Allied-Lyons†	1,300	611	+6
Anglian Water†	1,400	554	-2
Argos	290	368	+2
Argyll Group†	4,100	247	-4
Arjo Wiggins†	1,700	298	-1
Assoc. Brit. Foods†	89	550	+1
Assoc. Brit. Ports	99	616	+5
BAA†	3,600	973	-7
BAT Inds.†	7,200	480	-1
BET	3,600	144	+1½
BICC	1,000	455	-1
BOC†	1,100	705	+9
BP†	14,000	369	+3
BPB Inds.	658	340	-1
BT†	7,400	437	
BT (PPaid)	2,900	318	-1
BTR†	7,000	364	-6
Bank of Scotland†	2,300	223	
Barclays†	10,000	564	-10
Bass†	2,000	525	+7
Blue Circle†	1,700	356	
Booker	310	438	-1
Boots†	1,700	534	-2
Bowater†	1,200	500	+8
Brit. Aerospace†	7,600	549	+9
British Airways†	6,500	465	-7
British Gas†	15,000	339	
British Land	2,100	437	+7
British Steel†	4,200	143	+1
Bunzl	1,000	178	-2
Burmah Castrol†	503	858	-3
Burton	12,000	91¼	-1¼
Cable & Wire†	5,100	480	+3
Cadbury Schweppes†	1,000	517	+3
Calor Group	131	338	
Caradon†	2,100	417	-1
Carlton Comms.†	1,400	936	+1
Coats Viyella†	2,500	263	-3½
Comm. Union†	1,800	616	-8
Cookson	1,800	267	+3½
Courtaulds†	2,000	492	+6
Dalgety	366	467	-10
De La Rue	871	984	+1
Dixons	932	213	+2
Eastern Elect.	16,000	667	+4
East Midland Elect.	153	639	+6
Eng China Clays	142	487	-2
Enterprise Oil†	1,100	427	
Eurotunnel Units	63	550	+5
FKI	14,000	196	
Fisons	1,000	130	
Foreign & Col. I.T.	687	291	+3
Forte†	1,400	254	+1
Gen. Accident†	1,100	650	+3
General Elect.†	5,500	334	+2½
Glaxo†	5,100	682	+8
Glynwed	1,200	357	-8
Granada†	2,600	572	+2
Grand Met.†	4,000	481	+12
GUS†	1,700	609	-7
GRE†	6,100	216	-2
GKN	421	560	+1
Guinness†	2,700	623	+5
HSBC (75p shs)†	3,700	895	+7
Hammerson	69	412	+2
Hanson†	11,000	279	+4
Harrisons Crosfield	1,600	209	+2
Hays	713	313	-2
Hillsdown	194	177	-1
IMI	61	344	-1
ICI†	1,700	752	+4
Inchcape†	1,600	565	+1
Johnson Matthey	348	581	
Kingfisher†	1,300	607	

[illegible]

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Allied-Lyons	600	31	49	51½	15½	33	39½
(*610)	650	9½	19	28½	45½	64½	69½
Argyll	240	18½	24	28	9	18½	22½
(*246)	260	8½	14½	19	20½	31	34½
ASDA	50	18½	13	14	1½	3	4½
(*58)	60	4	7	8½	6½	7½	9½
Brit Airways	460	24	37	46	18	30½	36½
(*465)	500	8½	19½	29½	42	54½	60
Smith Bchm A	390	36½	43½	52½	12½	23½	30
(*408)	420	18½	29	37½	28	39	46
Boots	500	43½	53½	66½	6	18½	22½
(*532)	550	13½	26½	34½	26½	44½	48
BP	360	22	32½	38½	10½	19	25
(*368)	390	8	18½	25	28	36	41½
British Steel	140	10½	16	19½	7	10	14½
(*143)	160	3	7	10	20	24	26½
Bass	500	42½	56	64½	8	19	24½
(*525)	550	15½	31½	39	31	45	50

[illegible]

Option		Calls Feb	Calls May	Calls Aug	Puts Feb	Puts May	Puts Aug
Hanson	260	20½	22½	26½	1	4½	8½
(*279)	280	1½	10½	15½	2	13	17½
Lasmo	120	9	17½	21	1	8½	13
(*128)	130	1½	12	18	4½	14	18½
Lucas Inds	220	8	15	25	1	11½	16
(*228)	240	1	7½	15	15½	23½	28
P & O	700	5	34	54½	3	35	51
(*701)	750	1	16	33	52	68½	81
Pilkington	180	19	23½	28	1	4½	9
(*197)	200	1½	16½	17½	4½	13	18½
Prudential	300	30½	32½	37½	1	6	11
(*328)	330	2	12½	21	3½	19½	26
RTZ	800	31½	53½	73	1	22½	34
(*828)	850	1	28	48½	25½	48	59
Redland	550	41½	53	66½	1	17½	28
(*585)	600	1½	23½	34	14½	45½	55½
Royal Insce	280	15	22½	32½	1	13	18
(*290)	300	30	13	23	1	24½	29½
Tesco	220	3	14½	21	½	15	17½
(*223)	240	1	6	12½	17½	28	30½
Vodafone	600	1	37½	57½	3½	30	46½
(*602)	650	1	18	36	50	62	76
Williams	390	7½	22	28½	1½	18	24½
(*395)	420	1	8	15½	27	39	43
Option		**Apr**	**Jul**	**Oct**	**Apr**	**Jul**	**Oct**
BAA	950	47	83½	83	19½	36½	46½
(*967)	1000	22½	38½	57½	47½	65	72
Thames Wtr	550	31	41½	47½	12	28½	32½
(*564)	600	8½	17½	24½	40½	61½	62½
Option		**Mar**	**Jun**	**Sep**	**Mar**	**Jun**	**Sep**
Abbey Natl	500	17	29	40	17	26½	34
(*505)	550	2½	11	20½	57½	60½	65
Amstrad	35	3½	5½	7½	2	4	5½
(*36)	40	1½	3½	5	5½	7	8
Barclays	550	23	38	48	18	28	38½
(*560)	600	5½	18	27	53	59½	68
Blue Circle	330	33½	39	49	3½	13½	22½
(*358)	360	12	22	33	14	26	37
British Gas	330	18	23	29	5½	15	19
(*339)	360	3½	9½	14½	24	35	37½
Dixons	200	17½	25½	30	3½	9	18
(*212)	220	6	15	28	15	19	26½
Hillsdown	160	26½	22½	26½	1½	6½	9
(*177)	180	6	16½	15	8	17½	19½
Lonrho	140	17½	25	30	3	8½	14
(*153)	160	6½	14½	20	12½	18½	24½
Natl Power	460	36	47½	54½	4½	12½	22
(*490)	500	19	24	33	18½	33½	40
Scot Power	420	17½	31	38½	9½	19	29½
(*426)	460	3½	14	22	37½	43	53
Sears	120	6	9½	12½	3½	7½	9
(*122)	130	2½	5½	8	9½	14	22½
Forte	240	19½	24½	31	3½	11½	16
(*254)	260	7½	13½	21½	12	23	27
Tarmac	174	17½	24	–	3	9½	–
(*187)	193	6½	14	–	11½	19	–
Thorn EMI	1100	58	89½	108	11½	28	51
(*1141)	1150	26	59½	77	32	50½	74½
TSB	240	12½	21½	30	6	13	18½
(*243)	260	4½	12	20½	20	24½	30½
Tomkins	260	13	22	28	6	12	19
(*265)	280	4	12	18½	18	23½	30½
Wellcome	650	28	58½	71	23½	44½	57½
(*652)	700	9½	30	50	58	75	87½
Option		**Apr**	**Jul**	**Oct**	**Apr**	**Jul**	**Oct**
Glaxo	650	45	78½	82	23	38½	56½
(*679)	700	21½	46½	58½	50½	66	84½
HSBC 75p shs	950	80	118	143	43	79½	96½
(*994)	1000	55	95	120	72	104	121
Reuters	2000	96½	158	197	66	193	130
(*2042)	2050	70½	132	171	91½	127	154
Option		**Feb**	**May**	**Aug**	**Feb**	**May**	**Aug**
Rolls-Royce	178	3	–	–	1½	–	–
(*177)	195	1	–	–	19	–	–

* Underlying security price. Premiums shown are based on closing offer prices.
February 23, Total contracts: 54,408 Calls: 28,418 Puts: 25,990

FT GOLD MINES INDEX

	Feb 23	% chg on day	Feb 22	Feb 18	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index (34)	1992.82	-1.8	2002.50	2025.54	1153.57	1.88	2387.40	1129.27
■ Regional Indices								
Africa (15)	2602.17	-1.4	2636.07	2595.35	1398.94	5.22	3440.80	1242.59
Australasia (8)	2547.57	+1.2	2517.57	2566.94	1153.42	1.44	3613.88	1153.42
North America (11)	1750.15	-2.4	1741.57	1748.18	1093.12	0.56	2039.65	1075.54

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Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92.
Predecessor Gold Mines Index: Feb 23: 203.2 ; day's change: -2.9 points; Year ago: 95.3 † Partial
Latest prices were unavailable for this edition.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	23	40	13
Other Fixed Interest	8	0	7
Mineral Extraction	61	72	74
General Manufactures	136	131	415
Consumer Goods	35	47	111
Services	90	100	331
Utilities	25	10	11
Financials	84	90	216
Investment Trusts	150	24	288
Others	61	35	26
Totals	673	549	1492

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	March 4	Last Declarations	June 2
Last Dealings	March 21	For settlement	June 13

Calls: Avesco, Brit. Aero., Carlisle Grp., Caverdale, Dawson Intl., Europe Energy, Hanson Wts., Hunterprint, Mosaic Inv., Royal Ins., Scot. Natl. Puts: Alliance Res., Granada, Royal Ins., Puts & Calls: Avesco, Hanson Wts., LBMS, Telemetrix.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1993/94 High	1993/94 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
140	F.P.	253.0	176	163	Alpha Airports	168	+1½	RN4.03	2.2	3.0	19.2
150	F.P.	100.6	148	148	Chiroscience	148	+1	-	-	-	-
150	F.P.	25.8	166	150	Clinical Computing	159	+2	-	-	-	25.4
235	F.P.	68.2	268	250	Coda	260	-2	WN2.0	4.5	1.0	27.1
§90	F.P.	6.49	173	108	Comp Fin Sol	138	+1	N-	-	-	21.5
50	P.P.	10.4	58	55	Energy Capital	58		-	-	-	-
-	-	1.01	28	4	Do Warrants	26		-	-	-	-
-	F.P.	66.6	74	66¾	Guangdong Dvlpt	73¼		-	-	-	-
-	F.P.	5.30	29½	18½	Do Warrants	29		-	-	-	-
100	F.P.	62.1	100	94	Herald Inv Tst	95½	+1½	-	-	-	-
-	F.P.	6.11	51	45	Do Warrants	47		-	-	-	-
50	P.P.	460.0	49	41½	Kleinwort Euro Pvt	42	+½	-	-	-	-
-	F.P.	38.0	49	38	Do Warrants	38		-	-	-	-
50	F.P.	20.4	52	40	Mithras Inv Tst	51		-	-	-	-
-	F.P.	2.08	28	25	Do Warrants	26		-	-	-	-
110	F.P.	37.3	126	122	Parkside Intl	125		RN3.0	1.6	3.0	24.6
§120	F.P.	13.4	148	122	Simms	142		R3.7	2.5	3.3	15.0
100	F.P.	41.9	98	91½	Taiwan Inv	93		-	-	-	-
-	F.P.	4.05	52	43	Do Warrants	45		-	-	-	-
-	F.P.	0.48	15	9	Thornton P.E. Wts.	12		-	-	-	-
-	F.P.	3.08	52¾	51	Do. Zero Div. Pf.	51	-¼	-	-	-	-
200	F.P.	33.9	216	19½	Trifast	214	-1	R5.6	2.2	3.3	17.6
118	F.P.	59.1	139	131	Tring Intl	139		RN3.8	2.1	3.4	16.5

† Introduction. § Placing price. F.P. Fully-paid security. For an explanation of other notes, please refer to the Guide to the London Share Service.

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renun. date	1993/94 High	1993/94 Low	Stock	Closing price £	+or-
-	F.P.	-	95	90	Budgens 5pc Cv 2003	94	
-	F.P.	-	130p	121½p	Carlton Comm. 5.5p Cv. Pf.	122½p	+1
-	P.P.	14/3	56ppm	38ppm	GKN Units Cv Ln '94/99	38ppm	-5
100	F.P.	-	101¼p	100¼p	Shoprite 7⅞pc Prf 2009	100½p	+¼
-	F.P.	-	131	107	Witan 6¼pc Bds	126½	

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1993/94 High	1993/94 Low	Stock	Closing price p	+or-
20	Nil	11/3	36pm	7pm	Beauford	7pm	-1
25	Nil	21/3	12pm	2pm	※Beckenham Grp	2pm	
11	Nil	28/2	22½pm	15½pm	Carlisle	22½pm	+2
53	Nil	23/3	28pm	16pm	Spring Ram	19pm	-½
275	Nil	25/3	44pm	38pm	Stanley Leis.	44pm	
10	Nil	1/3	28pm	17pm	Utility Cable	28½pm	
51	Nil	25/2	12pm	8pm	Worthington	10pm	

pm Price at a premium.

FINANCIAL TIMES EQUITY INDICES

	Feb 23	Feb 22	Feb 21	Feb 18	Feb 17	Yr ago	*High	*Low
Ordinary Share	2578.4	2576.5	2585.8	2606.9	2634.0	2172.9	2713.6	2124.7
Ord. div. yield	3.59	3.57	3.56	3.53	3.50	4.46	4.52	3.43
Earn. yld. % full	3.88	3.89	3.88	3.86	3.82	5.99	6.38	3.82
P/E ratio net	32.89	32.70	32.81	33.04	33.37	21.27	33.43	19.40
P/E ratio nil	30.28	30.14	30.25	30.46	30.76	19.54	30.80	18.14

*For 1993/94. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2581.9	2583.0	2581.0	2579.6	2581.1	2582.6	2586.4	2586.4	2575.8	2589.5	2575.6

	Feb 23	Feb 22	Feb 21	Feb 18	Feb 17	Yr ago
SEAQ bargains	29,342	29,617	32,884	28,692	30,345	27,393
Equity turnover (£m)†	-	1559.7	983.6	1300.2	1404.3	1179.1
Equity bargains†	-	36,936	35,332	33,319	33,546	31,836
Shares traded (ml)†	-	575.4	415.6	566.8	617.1	532.4

† Excluding intra-market business and overseas turnover.

BANKS

	Notes	Price	+ or -	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£24⅜	+⅞	£25¼	£18¼	6,780	4.3	12.9
ANZ A$		268¼	+3¼	278¾	130	3,523	3.4	21.2
Abbey National		507	-5	524	345	6,646	2.9	19.5
Allied Irish I£		274	—	314	179	1,805	4.6	ϕ
Anglo Irish I£		65	-1	*70	28	158.8	6.6	11.9
Asahi Y		718¼	+7	844	415	16,668	0.6	—
Banco Bil Viz Pta		£15⅛	+⅛	£17⅝	£13⅜	3,481	5.6	6.8
Banco Sant Pta		£34⅞	—	£38	£24⅞	3,847	3.9	13.2
Bank Leumi (UK)		450	—	450	325	36.9	5.8	ϕ
Bk Ireland I£		274	—	*319	177	1,291	4.8	20.2
Bank Scotland		223	—	247	116½	2,586	2.6	30.3
9¼pc Pf		133½	-½	141½	117⅞	133.5	6.7	—
9¾pc Pf		140½	-½	146½	123½	140.6	6.7	—
Barclays		564	-10	652	362	9,153	2.8	—
Dai Ichi Kan Y		£12⅞	+⅛	£15⅞	£8⅞	36,719	0.4	66.6
Deutsche DM		£328⅞	+6⅞	£349⅞	£250½	15,692	1.8	—
Espirito Santo		£24⅞	—	£26⅞	£16½	262.7	3.3	5.9
First Nat Fin		66xd	—	*95	45	149.7	2.1	—
6.3pc Cv Pf		90	—	*91	55	6.65	8.7	—
7pc Cv Pf		166	-1	171	106	78.8	5.3	—
Fuji Bank Y		1410¾	+23½	1651	876	40,646	0.4	—
HSBC HK		1020	+9	1133	474	17,411	2.5	24.4
HSBC (75p Shs)		995	+7	1113	490	8,166	2.5	23.8
Lloyds		595xd	+15	680	482	7,667	4.8	12.6
Mitsubishi Y		£18⅞	+⅛	£19¾	£11⅞	52,166	0.3	—
Mits Tst & Bk Y		666	+1½	1012½	462½	11,315	0.6	13.9
Mitsui Tst & Bk Y		699¼	+10	852	374	8,221	0.8	23.4
Nat Aust A$		586½	+8¾	629¼	322	7,641	4.0	14.5
NatWest		583½	-20½	634	396	8,368	4.7	13.5
Ottomane FFr		£20½	—	£33	£23¾	162.6	4.9	6.9
Ryl Bk Scotland		456xd	-8	528	207	3,641	3.0	20.7

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or –	1993/94 High	low	Yld Gr's	NAV	Dis or Pm(-)
Paribas French	□	142	—	148	98	1.1	143.8	1.3
Perpetual Japan	□	111	+2	118	83	–	104.2	–6.1
Warrants	□	77	+1	85	37	–	–	–
Personal Assets	†	898	—	894	275½	2.0	893.0	0.5
Pilot Inv	Z□	145	—	157	98	0.4	141.1	–3.4
Warrants	□	88	—	89	21	–	–	–
C	□	110	—	117	100	–	109.4	–.5
Primadona		271	+3	283	157	2.1	331.0	18.1
RIT Capital	□	181	+1	188	100	0.8	224.3	19.3
2½pc Cv Ln 2000		£169xd	—	£1665½	£100½	1.4	–	–
Radiotrust	□	48	—	55	47	–	72.2	–18.0
Rights & Iss Inc		102	—	104	114	7.8	–	–
Cap		495	—	505	303	2.1	561.3	11.8
Riv & Merc Am Inc		119	—	121	108	8.2	–	–
Cap	□	35½	—	36	27	–	47.6	25.4
Warrants		17	—	17	11	–	–	–
Riv & Mer Ext	N□	149xd	—	147	87	0.7	138.7	–4.3
Warrants		44	—	49	13	–	–	–
Zero Div Pf		115½	–½	118½	103	–	–	–
Riv & Mer Geared		103	—	118	61	9.3	–	–
Prfd Cap 1999		31½	–½	35	18	–	40.4	22.0
Riv & Merc Smlr	N□	157	—	170	95	3.2	156.1	–.6
Warrants		67	—	77	22	–	–	–
Riv & Merc Tst Inc	□	120	—	127	105	8.6	–	–
Cap	□	137	+5	169	55	–	239.5	42.8
Warrants		37	—	46	6	–	–	–
Do. Stpd Prf	N	169¼	–¼	183	147	4.4	–	–
River Plate Inc	N□	108	—	119	98	10.3	–	–
Cap		198	+6	118	28	–	293.1	46.8
Warrants		8	—	11	1	–	–	–
Zero Div Pf		94½	—	96¼	77¼	–	–	–
St Andrew		343	—	348	214	2.9	354.3	3.2
St David's Inc	N	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

MERCHANT BANKS

OIL, EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SPIRITS, WINES & CIDERS

SPIRITS, WINES & CIDERS - Cont.

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or –	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£17¼	–1½	£19½	£7½	1,030	4.0	14.6
Barlow		£7½	–⅛	£8½	£3½	773.2	8.3	7.2
Gold Fields SA R		£13½xd	–⅜	£18	£7¼	1,362	3.0	22.7
NK Props	s	90	–5	97	69	3.82	9.9	37.0
SASOL	♥	316	–11	337	215	1,799	4.9	–
SA Brews		£12½	–⅛	£16½	£7½	6,675	2.2	20.4
Tiger Oats		713	–20	838	513	1,071	2.3	15.1
Tongaat-Hulett	†	488	–1	622	212	368.3	3.1	13.4

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ♠ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- ¶ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♦ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993-94.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for
N Figures based on SMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1295 a year for each security shown, subject to the Editor's discretion

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FT Cityline

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FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (¥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

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INSURANCES

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

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IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

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LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

CURRENCIES AND MONEY

MARKETS REPORT

Dollar finishes higher

A rumour that the US and Japan had agreed to a lower yen helped boost the value of the dollar yesterday, *writes Philip Gawith.*

In an otherwise quiet day in foreign exchange markets, the dollar rose more than two yen to a mid-morning high of Y106.55 in European trading as talk circulated that Japan and the US had agreed on a Y110 target for the dollar.

The US currency later fell back as the market discounted the rumour, and finished in London at Y105.525, nearly a yen higher than the Y104.40 level where it was trading early yesterday.

There was little movement in Europe with the D-Mark slightly weaker. It finished unchanged in London at FFr3.398 against the French franc.

Sterling also had a quiet day finishing marginally weaker against the D-Mark - DM2.5513 from DM2.5531 on Tuesday - and the dollar, $1.4766 against $1.4785.

■ The origin of the frenzied mid-morning sale of yen was a news agency report suggesting that the US and Japan had agreed a Y110 target for the dollar/yen. Adding fuel to the fire was talk of the Bank of England intervening on behalf of the Bank of Japan. Neither rumour was confirmed.

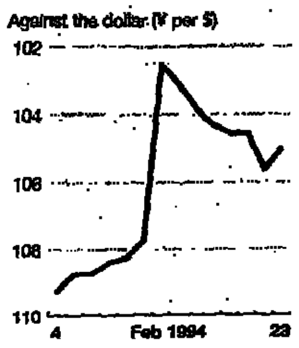
Later the dollar fell a yen to Y105.50 after Reuters flashed a Japanese "senior monetary source" saying that such a currency agreement was unlikely, currency levels being the domain of the market rather than governments.

Analysts agreed that the sharp movement reflected the nervousness of the market ahead of the weekend G7 meeting. "It was indicative of the fact that the market is concerned that you could actually see something agreed at the G7 meeting," said Mr Adrian Cunningham, senior currency economist at UBS in London.

Mr Ron Brown, the US Commerce Secretary, responded positively to the comments of a senior Japanese official that there might be leeway on the issue of trade targets. "Those were pleasant words, but clearly we want action," said Mr Brown.

Yen

Against the dollar (Y per $)



Source: FT Graphite

■ **Pound in New York**

Feb 23	—Latest—	— Prev. close —
£ spot	1.4780	1.4790
1 mth	1.4761	1.4770
3 mth	1.4726	1.4735
1 yr	1.4644	1.4648

■ There was little response in foreign exchange markets to comments made by Mr Alan Greenspan, chairman of the US Federal Reserve, in his Humphrey-Hawkins testimony to Congress on Tuesday.

The gist of his comments, which were successful in calming nerves in jittery bond markets, was that inflation was under control. He said the next movement in interest rates was likely to be up, but gave no indication that this was imminent.

Attention has now shifted to the release today of January durable goods orders. Mr Cunningham said this had previously been one of Mr Greenspan's favourite leading indicators, despite its volatility. He did not, however, expect it to be used as an excuse for tightening.

■ The D-Mark had an uneventful day with most attention focused on the dollar/yen. One area for comment was the Bundesbank's generous repo. The central bank allotted DM82.5bn at a fixed rate of 6.0 per cent, adding a net DM10.3bn to the market at the repo tender.

Some dealers said the cash injection could be a sign the central bank was preparing the way for a return next week to a variable tender, which would indicate a willingness to ease monetary policy.

Mr Philip Shaw, group economist at Union Discount, said, however, that it was more likely a reflection of technical factors to do with end of month minimum reserve requirements. Mr Shaw said he would be surprised if the Bundesbank set a fixed rate repo next week.

He said the central bank's monetary policy would probably be determined in the short term by the outcome of the labour dispute in the engineering industry.

The D-Mark has recently been under pressure following fears that the dispute involving IG Metall, the country's largest union, might escalate and cause damage. Recent indications are that the union is seeking to avoid conflict.

The Bank of Spain cut its key money rate to 8.50 per cent from 8.75 per cent at the regular repurchase tender for central bank certificates. This was discounted in the market as Spain had already cut its intervention rate on Friday.

The Bank of France monetary council is not expected to announce an easing of policy when it meets today. "I think they would like to see a cut in the German repo rate first and then more than match it," said Mr Keith Edmonds, chief analyst at IBJ International.

■ The Bank of England said it would provide a total of £2.194bn billion in its sale and repurchase facilities commencing February 24. The interest rate of 5⅜ per cent is in line with repos in its regular money market operations.

In its daily operations yesterday the central bank provided £600m of late assistance taking total assistance for the day to £978m, compared to a final forecast of a £1.3bn shortage.

The Bank did not operate in the early round of bill offers, and this pushed the overnight rate to an intra-day high of 8.5 per cent.

■ **OTHER CURRENCIES**

Feb 23	£	$
Hungary	153.082 - 153.302	103.700 - 103.800
Iran	2578.00 - 2584.00	1748.00 - 1750.00
Kuwait	0.4396 - 0.4406	0.2978 - 0.2983
Poland	32468.1 - 32481.5	21982.5 - 21983.5
Russia	2320.25 - 2321.25	1586.50 - 1587.50
U.A.E.	5.4224 - 5.4335	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Feb 23		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.9431	-0.0135	351 - 510	17.9634	17.9110	17.9393	0.3	17.9337	0.2	-	-	113.1
Belgium	(BFr)	52.5061	-0.0676	641 - 481	52.6235	52.4641	52.5611	-1.3	52.6661	-1.2	52.9911	-0.9	114.1
Denmark	(DKr)	9.9560	-0.0072	503 - 617	9.9737	9.9503	9.9991	-1.2	9.9868	-1.2	10.0224	-0.7	114.1
Finland	(FM)	8.1797	+0.0204	703 - 890	8.2250	8.1630	-	-	-	-	-	-	82.1
France	(FFr)	8.6699	-0.0074	646 - 731	8.6867	8.6563	8.6764	-1.0	8.6918	-1.1	8.7183	-0.6	107.7
Germany	(DM)	2.5513	-0.0018	501 - 524	2.5587	2.5480	2.5532	-0.9	2.5562	-0.8	2.5758	-1.0	122.0
Greece	(Dr)	368.769	-0.178	460 - 077	370.622	368.163	-	-	-	-	-	-	-
Ireland	(I£)	1.0415	-0.001	406 - 424	1.0430	1.0404	1.0421	-0.7	1.0437	-0.9	1.0499	-0.8	102.8
Italy	(L)	2482.09	-2.85	002 - 415	2487.72	2479.68	2487.94	-2.8	2500.89	-3.0	2549.64	-2.7	76.3
Luxembourg	(LFr)	52.5061	-0.0676	641 - 481	52.6235	52.4641	52.5611	-1.3	52.6661	-1.2	52.9911	-0.9	114.1
Netherlands	(Fl)	2.8626	-0.0018	612 - 640	2.8712	2.8605	2.8632	-0.3	2.8638	-0.2	2.858	0.2	117.7
Norway	(NKr)	11.0299	-0.0085	250 - 347	11.0568	11.0250	11.0242	0.6	11.0389	-0.3	11.0279	0.0	84.3
Portugal	(Es)	258.618	-0.165	335 - 901	259.884	258.335	259.583	-4.5	261.538	-4.5	-	-	-
Spain	(Pta)	207.433	-0.252	332 - 534	208.109	207.255	208.018	-3.4	209.228	-3.5	213.428	-2.9	85.0
Sweden	(SKr)	11.7168	-0.0068	085 - 251	11.7520	11.7064	11.7363	-2.0	11.7733	-1.9	11.8963	-1.5	77.0
Switzerland	(SFr)	2.1452	+0.0014	439 - 464	2.1490	2.1416	2.1436	0.9	2.1401	1.0	2.1193	1.2	117.8
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	80.6
Ecu	-	1.3168	-0.0007	162 - 174	1.3189	1.3158	1.3181	-1.2	1.3206	-1.2	1.3257	-0.7	-
SDR†	-	0.942576	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.4765	-0.0019	761 - 769	1.4810	1.4748	-	-	-	-	-	-	-
Brazil	(Cr)	893.926	+14.795	692 - 160	894.160	877.000	-	-	-	-	-	-	-
Canada	(C$)	1.9775	-0.0085	766 - 783	1.9823	1.9723	1.9752	1.4	1.9715	1.2	1.9642	0.7	90.2
Mexico	(New Peso)	4.6002	+0.0044	976 - 028	4.6173	4.5976	-	-	-	-	-	-	-
USA	($)	1.4766	-0.0019	762 - 769	1.4811	1.4748	1.4746	1.6	1.4711	1.5	1.4621	1.0	66.5
Pacific/Middle East/Africa													
Australia	(A$)	2.0390	-0.0163	378 - 402	2.0711	2.0381	2.0375	0.9	2.0352	0.8	2.0332	0.3	-
Hong Kong	(HK$)	11.4104	-0.0151	069 - 138	11.4437	11.3980	11.3887	2.3	11.3543	2.0	11.2542	1.4	-
India	(Rs)	46.3157	-0.0633	010 - 304	46.4560	46.2840	-	-	-	-	-	-	-
Japan	(Y)	155.813	-0.127	739 - 887	157.210	154.760	155.458	2.7	154.718	2.8	151.273	2.9	186.2
Malaysia	(M$)	4.0406	-0.0562	359 - 452	4.0999	4.0284	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5524	-0.0053	496 - 552	2.5619	2.5486	2.5553	-1.4	2.5596	-1.1	2.5682	-0.6	-
Philippines	(Peso)	40.9005	-0.0527	693 - 317	41.2041	39.9365	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.5376	-0.0068	360 - 391	5.5543	5.5312	-	-	-	-	-	-	-
Singapore	(S$)	2.3418	-0.0089	398 - 438	2.3510	2.3398	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.2160	+0.075	125 - 194	5.2194	5.1405	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.9472	+0.1241	381 - 562	7.0700	6.8284	-	-	-	-	-	-	-
South Korea	(Won)	1193.42	-2.13	306 - 378	1197.03	1192.08	-	-	-	-	-	-	-
Taiwan	(T$)	39.2024	+0.0752	783 - 265	39.3100	39.1200	-	-	-	-	-	-	-
Thailand	(Bt)	37.4306	-0.0629	069 - 542	37.5210	37.3710	-	-	-	-	-	-	-

†SDR rate for Feb.22. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Feb 23		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan index
Europe													
Austria	(Sch)	12.1520	+0.0065	495 - 545	12.1755	12.1110	12.1707	-1.9	12.2005	-1.6	12.2455	-0.8	102.5
Belgium	(BFr)	35.5600	-	400 - 800	35.6550	35.5000	35.645	-2.9	35.8	-2.7	36.24	-1.9	103.6
Denmark	(DKr)	6.7426	+0.0039	405 - 450	6.7550	6.7291	6.7583	-2.8	6.7868	-2.6	6.8541	-1.6	103.0
Finland	(FM)	5.5397	+0.0209	347 - 447	5.5534	5.5165	5.5442	-1.0	5.5537	-1.0	5.5797	-0.7	77.1
France	(FFr)	5.8710	+0.0025	695 - 725	5.8845	5.8580	5.8842	-2.7	5.9085	-2.6	5.9617	-1.5	104.1
Germany	(D)	1.7279	+0.001	275 - 282	1.7325	1.7230	1.7316	-2.5	1.7377	-2.3	1.7493	-1.2	103.7
Greece	(Dr)	249.750	+0.2	600 - 900	250.980	249.400	253.825	-18.8	260.5	-17.2	289.75	-16.0	71.1
Ireland	(I£)	1.4177	-0.0005	168 - 186	1.4219	1.4145	1.4147	2.6	1.4089	2.5	1.3922	1.8	-
Italy	(L)	1681.00	+0.22	000 - 200	1685.50	1676.50	1687	-4.3	1699.5	-4.4	1743.5	-3.7	77.0
Luxembourg	(LFr)	35.5600	-	400 - 800	35.6550	35.5000	35.645	-2.9	35.8	-2.7	36.24	-1.9	103.6
Netherlands	(Fl)	1.9387	+0.0013	382 - 392	1.9438	1.9348	1.9418	-1.9	1.9468	-1.7	1.9546	-0.8	103.1
Norway	(NKr)	7.4700	+0.0039	685 - 715	7.4872	7.4535	7.4785	-1.4	7.4962	-1.4	7.525	-0.7	94.3
Portugal	(Es)	175.150	+0.1	000 - 300	175.900	174.860	176.015	-5.9	177.775	-6.0	184.35	-5.3	93.7
Spain	(Pta)	140.485	+0.01	450 - 520	140.900	140.350	141.08	-5.1	142.225	-5.0	145.985	-3.9	80.4
Sweden	(SKr)	7.9353	+0.0064	315 - 390	7.9613	7.9165	7.9593	-3.6	8.0028	-3.4	8.1278	-2.4	82.5
Switzerland	(SFr)	1.4528	+0.0026	523 - 533	1.4550	1.4485	1.4537	-0.8	1.4547	-0.5	1.4493	0.2	104.5
UK	(£)	1.4766	-0.0019	762 - 769	1.4811	1.4748	1.4746	1.6	1.4711	1.5	1.4621	1.0	89.4
Ecu	-	1.1214	-0.0008	211 - 216	1.1237	1.1192	1.1188	2.8	1.1141	2.6	1.1031	1.6	-
SDR†	-	1.39096	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0000	-	999 - 000	1.0000	0.9999	-	-	-	-	-	-	-
Brazil	(Cr)	605.415	+10.785	400 - 430	605.395	605.370	-	-	-	-	-	-	-
Canada	(C$)	1.3393	-0.004	390 - 395	1.3405	1.3335	1.3396	-0.3	1.3402	-0.3	1.3433	-0.3	86.2
Mexico	(New Peso)	3.1155	+0.007	145 - 165	3.1190	3.1080	3.1171	-0.6	3.1199	-0.6	3.1305	-0.5	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	101.1
Pacific/Middle East/Africa													
Australia	(A$)	1.3810	-0.0092	805 - 814	1.4004	1.3803	1.3821	-0.9	1.3849	-1.1	1.3925	-0.8	88.8
Hong Kong	(HK$)	7.7277	-0.0003	272 - 282	7.7285	7.7272	7.7284	-0.1	7.7324	-0.2	7.7512	-0.3	-
India	(Rs)	31.3675	-0.0025	650 - 700	31.3700	31.3650	31.4325	-2.5	31.5675	-2.6	-	-	-
Japan	(Y)	105.525	+0.05	500 - 550	106.55	104.590	105.43	1.1	105.175	1.3	103.48	1.9	146.8
Malaysia	(M$)	2.7365	-0.0345	340 - 390	2.7715	2.7226	2.7305	2.6	2.714	3.3	2.7865	-1.8	-
New Zealand	(NZ$)	1.7286	-0.0014	271 - 301	1.7316	1.7256	1.7302	-1.1	1.7347	-1.4	1.7489	-1.2	-
Philippines	(Peso)	27.7000	-	500 - 500	27.8500	27.5500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7504	+0.0002	502 - 505	3.7505	3.7502	3.7528	-0.8	3.7572	-0.7	3.7759	-0.7	-
Singapore	(S$)	1.5860	-0.004	850 - 870	1.5900	1.5840	1.586	0.0	1.586	0.0	1.6095	-1.5	-
S Africa (Com.)	(R)	3.5325	+0.0552	310 - 340	3.7502	3.7504	3.5468	-4.9	3.5758	-4.9	3.673	-4.0	-
S Africa (Fin.)	(R)	4.7050	+0.09	000 - 100	4.7900	4.6500	4.736	-7.9	4.8	-8.1	-	-	-
South Korea	(Won)	808.250	-0.4	200 - 300	808.500	808.300	811.25	-4.5	814.75	-3.2	833.25	-3.1	-
Taiwan	(T$)	26.5500	+0.065	400 - 600	26.5600	26.4700	26.6525	-4.6	26.8	-3.8	-	-	-
Thailand	(Bt)	25.3500	-0.01	400 - 600	25.3600	25.2700	25.42	-3.3	25.56	-3.3	25.7	-1.4	-

†SDR rate for Feb.22. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan indices shown for Feb.22. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Feb 23		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.96	16.51	4.858	1.984	4727	5.450	21.01	492.5	395.0	22.32	4.085	1.904	3.767	2.813	296.7	2.508
Denmark	(DKr)	52.74	10	8.707	2.562	1.047	2493	2.875	11.08	259.7	208.3	11.77	2.154	1.004	1.987	1.484	156.5	1.323
France	(FFr)	60.57	11.48	10	2.943	1.202	2863	3.301	12.72	298.3	239.2	13.52	2.474	1.154	2.282	1.704	179.7	1.519
Germany	(DM)	20.58	3.903	3.398	1	0.408	973.0	1.122	4.324	101.4	81.90	4.594	0.841	0.392	0.775	0.579	61.07	0.516
Ireland	(I£)	50.39	9.555	8.320	2.448	1	2382	2.747	10.59	248.2	199.0	11.25	2.059	0.960	1.898	1.417	149.5	1.264
Italy	(L)	2.116	0.401	0.349	0.103	0.042	100.	0.115	0.444	10.42	8.356	0.472	0.086	0.040	0.080	0.060	6.277	0.053
Netherlands	(Fl)	18.35	3.479	3.029	0.891	0.364	867.2	1	3.854	90.36	72.47	4.095	0.749	0.349	0.691	0.516	54.44	0.460
Norway	(NKr)	47.61	9.026	7.859	2.313	0.945	2250	2.595	10	234.5	188.0	10.63	1.945	0.907	1.793	1.339	141.3	1.194
Portugal	(Es)	20.31	3.850	3.352	0.986	0.403	959.8	1.107	4.265	100.	80.20	4.532	0.829	0.387	0.765	0.571	60.25	0.509
Spain	(Pta)	25.32	4.800	4.180	1.230	0.502	1197	1.380	5.318	124.7	100.	5.651	1.034	0.482	0.954	0.712	75.12	0.635
Sweden	(SKr)	44.80	8.495	7.397	2.177	0.889	2118	2.442	9.411	220.6	177.0	10	1.830	0.853	1.686	1.260	132.9	1.124
Switzerland	(SFr)	24.48	4.641	4.041	1.189	0.486	1157	1.334	5.142	120.6	96.69	5.464	1	0.466	0.922	0.689	72.63	0.614
UK	(£)	52.51	9.956	8.669	2.551	1.042	2482	2.862	11.03	258.6	207.4	11.72	2.145	1	1.978	1.477	155.8	1.317
Canada	(C$)	26.55	5.033	4.383	1.290	0.527	1255	1.447	5.576	130.7	104.9	5.925	1.084	0.506	1	0.747	78.77	0.666
US	($)	35.55	6.741	5.869	1.727	0.705	1680	1.938	7.468	175.1	140.4	7.935	1.452	0.677	1.339	1	105.6	0.892
Japan	(Y)	337.0	63.90	55.64	16.37	6.688	15931	18.37	70.80	1660	1331	75.22	13.77	6.418	12.70	9.480	1000.	8.453
Ecu		39.87	7.560	6.582	1.937	0.791	1885	2.173	8.375	196.4	157.5	8.899	1.629	0.759	1.502	1.121	118.3	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.5788	0.5776	-0.0012	0.5791	0.5768	53,396	127,916
Jun	0.5755	0.5747	-0.0011	0.5755	0.5740	1,330	11,633
Sep	0.5725	0.5725	-0.0013	0.5725	0.5725	5	391

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6887	0.6881	-0.0013	0.6903	0.6870	17,636	40,149
Jun	0.6870	0.6876	-0.0011	0.6885	0.6870	883	2,652
Sep	-	0.6893	-0.0061	-	-	2	49

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.9475	0.9481	+0.0006	0.9570	0.9400	34,140	90,883
Jun	0.9549	0.9512	-	0.9600	0.9445	925	8,425
Sep	0.9522	0.9560	-0.0037	0.9560	0.9522	96	814

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.4778	1.4746	-0.0032	1.4792	1.4736	8,342	40,204
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

Feb 23	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.808628	0.790439	+0.000106	-2.25	4.66	15
Netherlands	2.19672	2.17588	-0.00097	-0.95	3.30	-
Belgium	40.2123	39.9134	-0.0109	-0.74	3.09	5
Germany	1.94964	1.93858	-0.00101	-0.57	2.91	-
France	6.53883	6.58836	-0.00253	0.76	1.56	-6
Denmark	7.43679	7.56634	-0.00481	1.74	0.57	-12
Portugal	192.854	197.032	+0.353	2.17	0.15	-15
Spain	154.250	157.836	+0.053	2.32	0.00	-16
NON ERM MEMBERS						
Greece	264.513	280.277	-0.075	5.96	-3.43	-
Italy	1793.19	1887.39	+3.71	5.25	-2.78	-
UK	0.786749	0.759517	+0.001042	-3.46	5.99	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Mar	Apr	May	PUTS Mar	Apr	May
1.400	7.32	7.36	7.49	0.03	0.19	0.50
1.425	4.89	5.21	5.61	0.06	0.53	1.00
1.450	2.69	3.37	3.82	0.32	1.18	1.79
1.475	1.08	2.00	2.51	1.16	2.24	2.86
1.500	0.27	1.06	1.55	2.80	3.74	4.38
1.525	0.04	0.49	0.89	5.01	5.66	6.20

Previous day's vol., Calls 21,404 Puts 12,405 . Prev. day's open int., Calls 536,208 Puts 503,979

WORLD INTEREST RATES

MONEY RATES

February 23	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	-	6¼	6¼	6⅛	6¼	7.40	5.25	-
week ago	-	6¼	6¼	6¼	6¼	7.40	5.25	-
France	6⅛	6¼	6¼	6⅛	5⅞	6.20	-	7.75
week ago	6⅜	6¼	6¼	6⅛	5⅞	6.20	-	7.75
Germany	6.05	6.05	5.85	5.65	5.37	6.75	5.25	6.00
week ago	6.13	6.05	5.85	5.65	5.37	6.75	5.75	6.00
Ireland	5⅞	5⅞	5⅞	5⅞	5⅞	-	-	6.75
week ago	5⅞	5⅞	5⅞	5⅞	5⅞	-	-	6.75
Italy	8⅝	8⅛	8⅛	8⅛	8¼	-	8.00	8.92
week ago	8⅝	8⅛	8⅛	8¼	8¼	-	8.00	8.92
Netherlands	5.61	5.47	5.27	5.15	5.00	-	5.25	-
week ago	5.61	5.47	5.32	5.17	5.00	-	5.25	-
Switzerland	4⅛	4⅛	4⅛	4¼	3⅞	6.625	4.00	-
week ago	4¼	4⅛	3⅞	4⅛	4	6.625	4.00	-
US	3¼	3⅜	3⅝	3⅞	4¼	-	3.00	-
week ago	3¼	3⅜	3½	3⅞	4¼	-	3.00	-
Japan	2⅛	2¼	2⅛	2¼	2¼	-	1.75	-
week ago	2⅛	2¼	2¼	2⅛	2⅛	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	3¼	3⅝	3⅞	4¼	-	-	-
week ago	-	3¼	3⅝	3⅞	4⅛	-	-	-
US Dollar CDs	-	3.28	3.44	3.65	4.01	-	-	-
week ago	-	3.28	3.41	3.60	3.93	-	-	-
SDR Linked Ds	-	3⅝	3⅝	3⅝	3⅝	-	-	-
week ago	-	3⅝	3⅝	3⅝	3⅝	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

[illegible]

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

[illegible]

■ THREE MONTH EURODOLLAR (LIFFE) $1m points of 100%

[illegible]

■ THREE MONTH EUROMARK FUTURES (LIFFE) DM1m points of 100%

[illegible]

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

[illegible]

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

[illegible]

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

[illegible]

* LIFFE futures traded on APT

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

[illegible]

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

[illegible]

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

[illegible]

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

[illegible]

UK INTEREST RATES

LONDON MONEY RATES

Feb 23	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	10 - 4¾	5⁷⁄₁₆ - 5	5⅜ - 5¼	5⅜ - 5¼	5¼ - 5⅛	5¼ - 5⅛
Sterling CDs	-	5⅛ - 5⅛	5⅛ - 5	5⅛ - 5	5⅛ - 5⅛	5⅛ - 5⅛
Treasury Bills	-	-	4¹³⁄₁₆ - 4¾	4¾ - 4¹¹⁄₁₆	-	-
Bank Bills	-	-	4¹³⁄₁₆ - 4¾	4⅞ - 4⅞	4⅞ - 4⅞	-
Local authority deps.	5⅞ - 5⅞	5⅛ - 4¹⁵⁄₁₆	5⅛ - 4¹³⁄₁₆	5⅛ - 5	5⅛ - 5	5¼ - 5⅛
Discount market deps.	5½ - 5	5⅛ - 5	-	-	-	-

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

[illegible]

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

[illegible]

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

[illegible]

BASE LENDING RATES

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Feb 23 / Sch)

BELGIUM/LUXEMBOURG (Feb 23 / Frs.)

DENMARK (Feb 23 / Kr)

FINLAND (Feb 23 / Mks)

FRANCE (Feb 23 / Frs.)

GERMANY (Feb 23 / Dm.)

ITALY (Feb 23 / Lire)

NETHERLANDS (Feb 23 / Fls.)

NORWAY (Feb 23 / Kroner)

SPAIN (Feb 23 / Pts.)

SWEDEN (Feb 23 / Kronor)

SWITZERLAND (Feb 23 / Frs.)

PACIFIC

JAPAN (Feb 23 / Yen)

AUSTRALIA (Feb 23 / Aust$)

HONG KONG (Feb 23 / H.K.$)

MALAYSIA (Feb 23 / MYR)

SINGAPORE (Feb 23 / S$)

NORTH AMERICA

CANADA

TORONTO (Feb 23 / Can $) 4 pm close

MONTREAL (Feb 23 / Can $) 4 pm close

AFRICA

SOUTH AFRICA (Feb 22 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are 1993-94, except Toronto & Montreal (daily). s Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. (¥) Due to problems at Telekurs, South African prices were unavailable for this edition.

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■ TOKYO - MOST ACTIVE STOCKS: Wednesday, February 23, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Navix Line	5.0m	363	+18	Casio Computer	3.1m	1,230	+20
Sharp Corp	3.9m	1,610		Victor Co of Japan	2.9m	1,130	+90
Nippon Steel	3.7m	344	+7	Furukawa Elec	2.7m	704	+8
Oki Electric	3.4m	610	+17	Fujitsu	2.7m	1,020	+10
Toshiba	3.2m	738	+12	Hitachi	2.7m	897	-3

INDICES

	Feb 23	Feb 22	Feb 21	1993/4 High		1993/4 Low	
Greece Athens SE(31/12/80)	1074.86	1094.44	1119.17	1194.58	18/1/94	667.72	5/1/93
Hong Kong Hang Seng(31/7/64)	10763.23	10574.01	10458.45	12201.09	4/1/94	5437.80	4/1/93
India BSE Sens.(1979)	4026.7	4084.8	4129.5	4162.80	8/2/94	2100.67	23/4/93
Indonesia Jakarta Comp.(10/8/82)	551.86	552.85	543.76	612.89	5/1/94	273.31	6/1/93
Ireland ISEQ Overall(4/1/88)	1983.17	1988.47	1979.96	2082.18	20/1/94	1191.19	11/1/93
Italy Banca Comm Ital (1972)	669.72	672.16	664.65	689.03	18/2/94	446.33	6/1/93
MIB General (4/1/94)	1072.0	1075.0	1098.0	1102.00	18/2/94	944.60	10/1/94
Japan Nikkei 225 (16/5/49)	19341.83	19342.63	19393.94	21148.11	13/9/93	16078.71	29/11/93
Nikkei 300 (1/10/82)	291.83	290.59	290.51	308.64	10/11/93	249.84	29/11/93
Topix (4/1/68)	1577.85	1572.17	1580.56	1698.67	3/9/93	1250.06	25/1/93
2nd Section (4/1/68)	2148.70	2133.39	2121.73	2284.97	7/6/93	1661.72	28/1/93
Malaysia KLSE Comp.(4/4/86)	1141.05	1104.45	1086.91	1314.46	5/1/94	614.28	13/1/93
Thailand Bangkok SET (30/4/75)	1480.85	1428.93	1446.27	1789.73	4/1/94	818.84	1/6/93
Turkey Istanbul Comp.(Jan 1986)	16084.8	16317.5	17250.1	20683.80	13/1/94	3865.53	1/1/93
WORLD MS Capital Int (1/1/70)	623.5*	621.2	618.0	641.80	1/2/94	498.80	13/1/93
CROSS-BORDER Eurotrack 100(26/10/90)	1489.10	1478.29	1483.51	1548.19	31/1/94	1083.82	13/1/93
Euro Top-100 (26/6/90)	1263.34	1257.26	1262.85	1311.81	2/2/94	862.73	13/1/93
JCapitDgns (31/12/88)	(u)	346.75	341.02	365.18	8/1/94	188.82	4/1/93
Barings Emerg.(7/1/92)	(u)	175.23	176.47	182.72	14/2/94	98.81	4/2/93

** Sat Feb 19: Taiwan Weighted Price 5813.52; Korea Comp Ex 932.93. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Feb 23 - 2140.25 +28.61

US INDICES

Day's high 3911.86 (3923.20) Low 3884.93 (3880.48) (Actual)

Standard and Poors	Feb 22	Feb 18	Feb 17	1993/94 High	1993/94 Low	Since compilation High	Since compilation Low
Composite ‡	471.48	467.69	470.34	482.00 (2/2/94)	429.05 (8/1/93)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	552.44	548.47	551.25	560.59 (2/2/94)	496.48 (26/4/93)	560.59 (2/2/94)	3.62 (21/6/32)
Financial	44.44	43.94	44.23	48.40 (26/8/93)	39.89 (8/1/93)	48.40 (26/8/93)	8.64 (1/10/74)
NYSE Comp.	261.48	258.87	261.38	267.71 (2/2/94)	236.21 (8/1/93)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt. Val	472.38	470.95	474.48	487.89 (2/2/94)	395.84 (8/1/93)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	791.15	788.85	790.24	800.47 (31/1/94)	645.87 (26/4/93)	800.47 (31/1/94)	54.87 (31/10/72)

■ RATIOS

	Feb 18	Feb 11	Feb 4	Year ago
Dow Jones Ind. Div. Yield	2.59	2.58	2.62	3.07
	Feb 16	Feb 9	Feb 2	Year ago
S & P Ind. Div. yield	2.34	2.35	2.32	2.55
S & P Ind. P/E ratio	26.18	28.07	28.51	26.51

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Mar	472.40	472.40	+0.15	472.80	472.00	65,949	179,226
Jun	-	473.55	+4.10	-	-	2,421	12,471
Sep	-	475.30	+4.10	-	-	263	1,428

Open interest figures are for previous day.

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Feb	2248.0	2247.0	+20.0	2259.0	2240.0	25,452	16,306
Mar	2257.0	2256.5	+19.5	2266.0	2251.0	9,536	50,759
Apr	2268.0	2268.0	+20.0	2268.0	2268.0	1	1,020

Open interest figures for previous day.

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
BP	14,887,400	64⅛	+¾
Telefonos	4,081,800	69¾	-1⅝
Beverly	3,404,000	14⅝	+⅝
Merck	3,091,800	32⅝	-⅛
US West	2,661,600	40⅛	+⅛
Wal-Mart	2,444,600	28¼	+⅜
GTE Corp	2,401,700	31⅞	+⅛
Zenith	2,200,100	11¼	+⅝
Tandem	2,098,300	14⅝	+1¼
Nat Semi	2,042,200	21⅛	+1

■ TRADING ACTIVITY

● Volume (million)

	Feb 22	Feb 18	Feb 17
New York SE	270.837	289.302	338.879
Amex	17.588	17.120	19.197
NASDAQ	263.269	300.634	354.812
NYSE			
Issues Traded	2,760	2,739	2,761
Rises	1,142	701	878
Falls	1,005	1,418	1,263
Unchanged	613	620	620
New Highs	59	45	109
New Lows	86	96	51

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close February 23

1993/94 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
16⅝	11½	AAR	0.48	3.1	520	1240	15⅞	15½	15⅝	-¼
29⅞	12¾	A L Labs A	0.18	1.2	35	608	15½	15⅜	15⅜	-¼
67¼	54⅜	AMP	1.68	2.6	22	1252	63⅞	63¼	63½	+⅜
72¾	55½	AMR			32	3460	66¼	65⅝	65⅞	+⅜
5	1¾	ARX			16	1673	u5	4¾	4¾	-⅛
56⅛	29⅞	ASA	2.00	4.5	29	1334	45⅞	44⅛	44⅝	-⅛
30¼	22⅝	AbbotL	0.76	2.7	16	11026	28½	28	28⅛	-¼
13⅜	8¼	AbitiBl Pr	0.50	3.9	8	21	12⅞	12¾	12¾	
15⅝	8¼	Acapulcals			23	155	12¾	12½	12¾	
36	25½	ACE Ltd	0.40	1.4	4	1183	28	27½	27¾	
12⅝	10¾	ACM Gvt In	1.09	8.8		161	12⅜	12¼	12⅜	
10⅛	9⅛	ACM GvOpp	0.80	8.5		165	9⅝	9⅜	9⅜	-⅛
10⅝	8¾	ACM Gvt Sp	0.96	9.5		183	10⅛	10	10⅛	
12¾	10½	ACM Gvt Se	1.09	9.6		131	11½	11⅜	11⅜	-⅛
12¼	9⅝	ACM Man	1.08	9.7		345	11⅛	11	11⅛	+⅛
9⅞	8⅝	ACM Managd	0.72	8.2		77	8⅞	8¾	8¾	-⅛
12⅝	7¾	AcmeClv	0.44	4.5	12	15	9⅞	9¾	9¾	-⅛
11⅞	6⅞	Acme Elect			34	12	8	7⅞	7⅞	-⅛
27⅝	18⅞	Acordia	0.44	1.6	13	71	26⅞	26½	26¾	+⅛
9¼	6⅝	Actava	0.36	4.3	17	130	8¼	8⅛	8⅝	-¼
16	10⅝	Acuson			90	423	12	11⅝	11¾	
21¾	17⅝	Adams Expr	0.36	2.0	0	193	18	17⅞	18	
66⅛	45½	Ad Micro	3.00	5.9		615	53⅛	51	51	-1½
32¾	16¾	AdvMdc	3.00	13.7	8	4691	22⅜	21¾	21⅞	+⅛
8⅛	5½	Advest Grp	0.16	2.4	10	z100	6⅝	6⅝	6⅝	

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NYSE COMPOSITE PRICES

4 pm close February 23

Continued from previous page

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NASDAQ NATIONAL MARKET

4 pm close February 23

[illegible]

AMEX COMPOSITE PRICES

4 pm close February 23

[illegible]

AMERICA

Fresh worries on rates leave Dow lower

Wall Street

US blue chip stocks retreated yesterday morning as concern about a further increase in short-term interest rates drove bond prices down, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was 14.35 lower at 3,897.31. The more broadly based Standard & Poor's 500 edged down 0.51 to 470.96, as declining issues led advances by a slim margin. Secondary indices also showed little change, with the American SE composite easing 0.85 to 471.53 and the Nasdaq composite dipping 0.42 to 790.73.

Volume on the New York SE was moderate, with 179m shares traded by 1 pm.

The session began quietly. The government was not scheduled to release any new economic reports until today, when weekly unemployment figures and January durable goods data are due out.

Early on, the bond market was enjoying a relatively calm session, with Mr Alan Greenspan, the chairman of the Federal Reserve, appearing to have reassured fixed-income investors about the direction of monetary policy in his congressional testimony on Tuesday.

Just after midday, however, the market began to focus on Mr Greenspan's remark that orders of durable goods were a factor that could spur inflationary pressures in the economy. Traders soon were speculating that today's data could trigger the Fed's second strike on short-term interest rates as early as this week.

That fear suddenly sent bond prices moderately lower, with the benchmark 30-year government security showing the biggest decline by 1pm.

Retailing issues were among the most widely traded. Wal-Mart moved forward $¼ to $28½ amid expectations of more restrained growth for the discount store chain.

Home Depot was also in play yesterday, after releasing strong quarterly results during the previous session. The share price of the do-it-yourself warehouse chain appreciated $1¼ to $41⅞.

First Interstate Bancorp shot up $2¼ to $69 amid speculation that it was holding merger talks with another company. Wells Fargo, often suggested as a potential partner with First Interstate, slipped $½ to $137⅝.

National Westminster ADRs were marked down $3 to $45¼ on disappointment over the UK banking group's earnings.

Hewlett-Packard jumped $3⅝ to $93½, while Lotus Development gained $2 at $70¼ on the Nasdaq.

On the American SE, Fibreboard jumped $2¼ to $37⅞ on a report that a Minnesota investment group was considering a bid for the building materials supplier.

Brazil

Equities in São Paulo eased from earlier highs by midsession, but remained 3.6 per cent ahead in heavy turnover.

The Bovespa index was up 376 at 10,913. Investors were awaiting a vote by congress on a key element of its economic package later yesterday.

Canada

Toronto continued firmer in active post-budget trade at midday, propped up by a rebound in precious metals shares and a strong utilities group.

The TSE-300 composite index was 8.99 higher at 4,380.10 by midsession.

SOUTH AFRICA

Industrial stocks fell back slightly on worse than expected inflation data and the index closed off 8 at 5,689. The overall index slipped 7 to 4,816 and the gold shares index was unchanged at 1,855. SA Breweries lost R1 at R85.

EUROPE

Bourses ignore Wall Street, stay in high ground

Bourses seemed to feel that they were due for a recovery after three Eurotrack 100 falls in succession, *writes Our Markets Staff.* Late yesterday, they were mostly uninclined to change direction when Wall Street wobbled intermittently lower, on renewed interest rate and inflation fears.

FRANKFURT followed bund and Dax futures higher, although the market also said that it was waiting for inflation news tomorrow, a January M3 growth figure that could come in anywhere between 6 and 12 per cent, and more news on strikes from the IG Metall engineering workers' union.

In the meantime, futures markets chose the more comforting interpretation of Tuesday's remarks on US interest rates by Mr Alan Greenspan, the Federal Reserve chairman. The March bund future, said Ms Barbara Altmann at B Metzler in Frankfurt, recovered to around 98 from 97.24 on Monday, and the Dax future was 32.5 higher at 2,148.5.

This took the Dax index up 20.05 to 2,127.67 on the session, and by another 12.58 to 2,140.25 in the afternoon trading. Turnover eased from DM7.6bn to DM7.5bn.

Financials, which had suffered from the bond market's weakness, recovered strongly: Allianz rose DM28 to DM2,628 on the session and DM27 more to DM2,655 after hours, and Deutsche Bank and Dresdner followed suit. Chemicals were strong, too, BASF finishing at DM297.50 after a session gain of DM4.80 to DM295.50; the sector, said Ms Altmann, was seen as an early beneficiary in the economic recovery cycle.

AMSTERDAM resumed an upward course, although Unilever shed a further Fl 2.00 to Fl 219.50, bringing its losses on the week so far to 2.6 per cent, as investors continued to react to Tuesday's disappointing results and news that it was to restructure worldwide operations.

The AEX index gained 3.58 to 425.81.

Royal Dutch gained 60 cents to Fl 208.40 ahead of results which are due out today. Kleinwort Benson, in a note issued earlier this week, commented that while expecting results at the top end of market expectations, both Shell and Royal Dutch looked expensive "as we believe that low dividend cover will mean pedestrian dividend growth for 1994 onwards".

Fokker firmed 40 cents to Fl 22.00 on reports that it had won a Fl 10m order to supply satellite components to British Aerospace.

PARIS was supported by a stronger bond market, although turnover in quities drifted down to about FFr3.5bn as the CAC-40 index gained 25.27 or 1.1 per cent to 2,252.00.

While there remains a glimmer of hope that the Bank of France may lower domestic interest rates today, most traders feel that room for manoeuvre has become even more restricted following comments by Mr Alan Greenspan, chairman of the US Federal Reserve, earlier this week.

Activity was generally muted yesterday, with Saint-Gobain rising FFr20 to FFr682 following news of its rights issue on Tuesday and BSN, the food group, adding FFr19 to FFr933 as it reported that a promotion campaign at the end of last year had been successful.

MILAN failed to maintain its early upward momentum and the Comit index shed 2.44 to 669.72 as the market's correction reasserted itself.

Olivetti put on L55 or 2.4 per cent to L2,359 after the news that its Omnitel consortium had joined forces with a former rival, Pronto Italia, to make a joint bid for Italy's second cellular phone licence.

Ferruzzi shed L146 or 7.6 per cent to L1,785 after the Consob regulatory body said that creditor banks which took major stakes during the rights issue need not make a public buy offer for the group.

BCI shed another L191 or 3.2 per cent to L5,738 after Tuesday's 4.7 per cent fall ahead of next week's privatisation: the sell-off price is expected to be well below current levels. Generali, which said that it had taken a 2 per cent stake in BCI, turned back after an early advance to L40,960 to finish L408 lower at L40,200.

ZURICH bounced back after the hesitant mood earlier in the week and the SMI index added 44.7 or 1.5 per cent to 3,027.5, reassured by comments by Mr Alan Greenspan, the Fed chairman, which came after the market closed on Tuesday.

UBS picked up SFr25 to SFr1,472 ahead of results tomorrow: analysts are forecasting group net profit growth of 60 per cent or more, and a higher dividend.

SMH registered shares put on another SFr3.50 to SFr216 in response to the co-operation with Mercedes Benz on the Swatchmobile city car project.

MADRID dealers said that the country's own news – a 25-point cut in base rate – was already discounted, and the equity market lost some of its gains on the US weakness to close with the general index 3.23 higher at 342.85 in turnover of Pta33bn.

Repsol rose Pta85 to Pta4,645 after an 11 per cent rise in net profits, but Tabacalera dropped Pta85 to Pta4,015 before after-hours news of a fall in parent company profits for 1993.

BRUSSELS took its lead from other bourses as the Bel-20 index ended 7.12 higher at 1,511.47 in turnover of some BFr1.62bn.

FT-SE Actuaries Share Indices

Feb 23 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1484.98	1484.61	1484.03	1485.79	1486.16	1489.66	1489.22	1488.10
FT-SE Eurotrack 200	1534.15	1534.05	1535.16	1535.73	1536.53	1540.14	1538.75	1537.86

	Feb 22	Feb 21	Feb 18	Feb 17	Feb 16
FT-SE Eurotrack 100	1478.29	1483.51	1495.00	1518.85	1491.80
FT-SE Eurotrack 200	1530.12	1539.13	1550.75	1569.16	1554.49

Base value 1000 (26/10/90); High/day: 100 - 1490.23; 200 - 1540.89 Low/day: 100 - 1484.03 200 - 1532.58.

Written and edited by William Cochrane, John Pitt and Michael Morgan

ASIA PACIFIC

Nikkei subdued as Kuala Lumpur surges 3.3 per cent

Tokyo

Activity remained subdued on the last trading day for February settlements, and share prices edged lower after hovering within a narrow range, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 average lost 0.80 at 19,341.83 after a high of 19,466.95 and low of 19,323.93. Small-lot index-linked trading by dealers and institutional investors dominated activity after the yen strengthened to the Y104 level to the dollar, raising uncertainty over the course of the Japanese currency. Traders said fears of arbitrage unwinding also depressed sentiment.

The Topix index of all first section stocks closed 5.68 up at 1,577.85 and the Nikkei 300 rose 1.24 to 291.83. Volume totalled 270m shares, against 325m. In London the ISE/Nikkei 50 index gained 9.04 at 1,318.53.

The yen closed at Y104.65, up Y1.30, as many market participants focused on Saturday's meeting of top finance officials of the group of seven leading industrial nations in Frankfurt. In spite of active selling of the yen by the Bank of Japan, the domestic currency rose on buying by US fund managers and bank dealers.

Fanuc, a leading machine tool equipment maker, fell Y200 to Y4,090 following reports that Nomura Research Institute, the research arm of Nomura Securities, had downgraded its rating on the company, saying that the stock would underperform the Nikkei index.

Retailers were firm on buying by individuals hoping for an earnings rebound due to the income tax cut next fiscal year. Mitsukoshi, the department store, jumped Y37 to Y882 and Jusco, the supermarket chain, advanced Y60 to Y2,340.

Navix Line, a shipping company, was the most active issue of the day, climbing Y18 to Y363 on buying by overseas investors.

Multimedia shares gained ground. Toshiba rose Y12 to Y738 and Fujitsu Y10 to Y1,020. Cable makers were also higher, with Furukawa Electric up Y9 to Y704. Nippon Telegraph and Telephone added Y5,000 at Y939,000, while Victor, the consumer electronics maker, put on Y90 at Y1,130 on hopes of an earnings rise.

Sumitomo Metal Mining fell Y21 to Y873 on profit-taking by individual investors. Mining stocks had been higher last month on buying by short term traders, in tandem with firmer gold prices.

In Osaka, the OSE average moved forward 49.24 to 21,437.09 in quiet trading.

Roundup

Pacific Rim markets put in mostly positive performances.

KUALA LUMPUR posted a 3.3 per cent rise on retail and foreign buying which continued to be focused on second line stocks, and particularly rumour-driven issues. The composite index added 36.60 at 1,141.05.

Arab-Malaysian Development, rumoured to be a takeover target, forged ahead 18 cents, or 5.4 per cent, to M$3.50 in volume of 32m shares. Mulpha International surged 70 cents, or 11.2 per cent, to M$6.95 on continued talk of a port privatisation deal.

SINGAPORE was supported by foreign institutional buying in response to what was viewed as a pro-business national budget released just before the market closed.

The Straits Times Industrial index rose 23.55 to 2,423.91. Some institutional buying in properties was noted, with Singapore Land gaining 35 cents at S$7.60. A cut in the commercial property tax rate is expected to boost some property stocks with commercial property exposure.

HONG KONG finished well off the day's highs after some profits were taken. The Hang Seng index was finally 89.22 ahead at 10,763.23 after a peak for the session of 10,815.

Among blue chips attracting interest after the recent bear run, Henderson Land advanced HK$1.75 to HK$49.25 and Cheung Kong appreciated 25 cents to HK$45.25.

AUSTRALIA climbed on the combination of US interest rate prospects and upcoming options expiry, the All Ordinaries index closing 16.4 up at 2,218.9 in A$510m turnover.

Among blue chips, BHP rose 16 cents to A$18.36 and News Corp 6 cents to A$10.22. CRA was 28 cents higher at A$18.20.

NEW ZEALAND took its lead from Wall Street's performance and the NZSE 40 Capital index moved ahead 47.60 to 2,265.24. Ceramco weakened 35 cents to NZ$6.50 on news that 1994 profits are likely to be less than earlier forecast.

TAIWAN reversed early losses to close higher in a rebound from four straight days of falls.

Institutional bargain hunting in a wide range of stocks helped the weighted index improve 35.28 to 5,769.19, although turnover remained thin at T$43.14bn, against Tuesday's T$41.53bn.

KARACHI gained ground on heavy foreign buying, with energy, chemical and bank issues leading the rally.

The KSE 100 index rose 47.53 to 2,455.11, and dealers said that funds were encouraged by a positive government policy on privatisation.

BOMBAY fell but sellers withdrew, hoping that they could get improved prices in the two trading days left before Monday's national budget. The BSE index ended 56.11 lower at 4,028.78.

Istanbul begins to claw back losses

By John Pitt

Istanbul has begun to claw back some of the losses seen since the start of the year, although its volatility was reflected in a 5 per cent decline earlier this week.

With the recent selling led by domestic investors, the international investment community has been keeping a watching brief on developments.

Mr Barton Biggs, Morgan Stanley's director of global strategy, reckons the time has now come to re-enter the Turkish equity market.

Consequently he has lifted the country's weighting in Morgan Stanley's emerging markets model portfolio to 10 per cent, against a benchmark of 2 per cent.

"The cause of the panic was a credit rating downgrade, a run on the currency, the resignation of the governor of the central bank, soaring short-term interest rates (the overnight rate reached 600 per cent at one point) and a loss of confidence in the prime minister," he reiterates.

"The devaluation of the currency was mishandled, but necessary," Mr Biggs goes on to say. Turkey suffered from a 70 per cent inflation rate last year, and this led to overvaluation of the lira.

"Naturally," he concludes, "exports stagnated and imports boomed, resulting in the trade deficit going from $7.7bn in 1992 to $13.8bn.

"The devaluation has restored Turkey's competitiveness, and the stock market should be going up, not down. I think it will once the crisis eases and short-term interest rates start falling."

Last week's biggest faller was Brazil, a trend that has been reversed this week.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms: Feb 18 1994	Dollar terms: % Change over week	Dollar terms: % Change on Dec '93	Local currency terms: Feb 18 1994	Local currency terms: % Change over week	Local currency terms: % Change on Dec '93
Latin America							
Argentina	(25)	1,105.46	-0.0	+11.2	678,341.61	-0.0	+11.2
Brazil	(57)	322.07	-13.7	+38.4	255,982,991.3	-7.1	+151.9
Chile	(25)	663.91	+2.6	+20.3	1,137.38	+2.7	+19.3
Colombia[1]	(11)	929.40	+6.1	+44.2	1,344.77	+6.0	+45.1
Mexico	(70)	1,063.81	-3.4	+6.3	1,425.01	-3.4	+6.2
Peru[2]	(11)	159.03	+5.2	+31.5	211.03	+5.2	+32.7
Venezuela[3]	(41)	844.39	+6.9	+42.7	2,113.88	+6.9	+48.7
East Asia							
China[4]	(18)	129.50	+1.8	-13.2	142.30	+1.8	-13.3
South Korea[5]	(156)	127.36	+0.1	+7.8	135.67	+0.4	+8.1
Philippines	(18)	302.95	+0.9	-11.0	398.07	+0.9	-10.4
Taiwan, China[6]	(90)	130.21	-7.4	-3.7	129.15	-7.4	-3.5
South Asia							
India[7]	(77)	133.01	-1.7	+14.2	147.09	-1.7	+14.2
Indonesia[8]	(37)	117.53	-5.4	-5.7	135.00	-5.4	-5.2
Malaysia	(105)	277.10	-2.5	-18.3	284.49	-1.8	-15.6
Pakistan[9]	(15)	403.19	+3.5	+3.9	551.68	+3.5	+4.4
Sri Lanka[10]	(5)	241.75	+12.5	+36.4	258.53	+11.7	+35.4
Thailand	(55)	405.63	+2.1	-15.1	410.22	+2.1	-15.1
Euro/Mid East							
Greece	(25)	265.12	+2.7	+16.4	446.08	+1.0	+16.0
Hungary[11]	(5)	246.46	+2.8	+47.9	304.84	+3.3	+51.0
Jordan	(13)	171.82	+1.0	+3.8	249.54	+1.0	+4.2
Poland[12]	(12)	1,222.46	+10.1	+49.5	1,693.51	+9.5	+53.4
Portugal	(25)	136.43	+4.7	+19.9	162.84	+3.1	+17.9
Turkey[13]	(40)	168.21	+33.4	-20.9	1,407.78	+33.9	-3.2
Zimbabwe[14]	(5)	232.65	+4.0	+15.1	279.34	+1.6	+30.8

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Aug 4 1989; (14)July 2 1993.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of lines of stock

TUESDAY FEBRUARY 22 1994

Market	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield
Australia (68)	179.03	2.0	178.53	119.37	160.73	165.53	1.3	3.20
Austria (17)	184.94	0.2	185.46	123.30	166.03	165.86	0.2	0.96
Belgium (42)	165.68	-0.5	166.15	110.46	148.74	145.29	-0.6	3.96
Canada (107)	134.49	0.3	134.86	89.67	120.74	130.82	0.5	2.58
Denmark (32)	269.61	-0.5	270.36	179.75	242.05	247.11	-0.8	0.91
Finland (22)	148.56	0.9	148.98	98.71	134.27	173.22	0.1	0.64
France (99)	176.06	0.6	176.55	117.38	158.06	162.07	0.4	2.87
Germany (59)	131.71	-0.5	132.08	87.82	118.25	118.25	-0.5	1.79
Hong Kong (56)	429.26	1.9	430.47	286.20	385.39	425.90	1.9	2.50
Ireland (14)	191.95	-0.8	192.49	127.98	172.33	190.72	-0.9	3.08
Italy (68)	75.88	-2.3	76.09	50.59	68.12	95.25	-2.0	1.77
Japan (469)	149.46	0.8	149.88	99.64	134.18	99.64	0.0	0.81
Malaysia (69)	515.19	2.2	516.64	343.49	462.53	549.82	1.9	1.33
Mexico (18)	2468.33	-1.0	2475.22	1645.68	2215.97	8389.03	-0.9	0.60
Netherland (26)	201.00	-0.6	201.56	134.01	180.45	177.73	-0.8	2.98
New Zealand (14)	69.61	-0.6	69.81	46.41	62.50	63.95	-1.5	3.63
Norway (23)	201.43	0.6	201.99	134.30	180.84	204.13	0.5	1.46
Singapore (45)	353.00	1.6	353.99	235.36	316.92	258.65	1.6	1.56
South Africa (60)	244.07	-1.1	244.75	162.73	219.12	246.20	-0.2	2.35
Spain (42)	146.79	0.8	147.20	97.87	131.79	156.22	0.4	3.75
Sweden (36)	224.98	0.0	225.61	150.00	201.98	264.07	-0.4	1.35
Switzerland (49)	166.46	0.0	166.92	110.98	149.44	149.64	-0.3	1.48
United Kingdom (215)	201.81	-0.3	202.37	134.55	181.18	202.37	-0.5	3.56
USA (518)	191.73	0.8	192.27	127.83	172.13	191.73	0.8	2.74
EUROPE (745)	170.35	-0.3	170.83	113.58	152.94	164.53	-0.4	2.78
Nordic (113)	215.96	0.1	216.55	143.98	193.87	221.74	-0.4	1.16
Pacific Basin (722)	160.69	0.9	161.14	107.13	144.26	111.52	0.3	1.09
Euro-Pacific (1467)	164.56	0.4	165.02	109.71	147.73	132.04	0.0	1.81
North America (625)	188.16	0.8	188.70	125.46	168.94	187.55	0.8	2.73
Europe Ex. UK (530)	150.08	-0.2	150.50	100.06	134.74	142.10	-0.4	2.26
Pacific Ex. Japan (253)	269.00	1.9	269.75	179.35	241.50	246.99	1.6	2.46
World Ex. US (1652)	166.11	0.4	166.58	110.75	149.13	135.26	0.0	1.82
World Ex. UK (1955)	170.92	0.6	171.39	113.95	153.44	148.14	0.4	2.00
World Ex. So. Af. (2110)	173.23	0.5	173.71	115.50	155.52	152.11	0.3	2.15
World Ex. Japan (1701)	188.24	0.4	188.76	125.50	168.99	184.50	0.4	2.68
The World Index (2170)	173.62	0.5	174.11	115.76	156.87	152.88	0.3	2.16

MONDAY FEBRUARY 21 1994 — DOLLAR INDEX

Market	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993/94 High	1993/94 Low	Year ago (approx)
Australia (68)	176.45	178.31	117.84	157.56	163.36	189.15	128.46	129.48
Austria (17)	184.65	185.45	123.95	165.74	165.51	195.41	139.63	147.53
Belgium (42)	166.58	167.38	111.68	149.60	146.22	169.08	140.98	141.88
Canada (107)	134.13	134.78	90.08	120.46	130.21	145.91	119.10	119.11
Denmark (32)	271.02	272.33	182.02	243.40	249.00	275.79	195.66	207.23
Finland (22)	148.17	148.89	99.52	133.07	173.00	156.72	69.73	70.01
France (99)	175.20	176.05	117.67	157.34	161.35	185.37	149.60	157.28
Germany (59)	132.32	132.96	88.87	118.83	118.83	142.38	107.59	113.32
Hong Kong (56)	421.09	423.13	282.81	378.18	417.87	506.56	233.84	250.85
Ireland (14)	193.53	194.46	129.98	173.81	192.47	209.33	134.46	134.46
Italy (68)	77.69	78.07	52.18	69.78	97.20	78.93	56.21	58.91
Japan (469)	148.34	149.05	99.63	133.22	99.63	165.91	107.97	110.60
Malaysia (69)	504.30	506.74	338.70	452.91	539.74	621.63	271.48	271.73
Mexico (18)	2492.84	2504.88	1674.24	2238.76	8462.80	2647.06	1410.30	1467.17
Netherland (26)	202.60	203.58	136.07	181.96	179.19	207.43	159.83	160.18
New Zealand (14)	70.00	70.34	47.01	62.87	64.92	77.59	44.19	44.19
Norway (23)	200.16	201.12	134.43	179.76	203.04	204.44	138.63	143.54
Singapore (45)	346.74	348.42	232.88	311.40	254.70	378.92	213.57	221.16
South Africa (60)	246.81	248.00	165.76	221.66	246.80	280.26	160.78	169.02
Spain (42)	145.66	146.37	97.83	130.82	155.56	155.79	116.33	123.78
Sweden (36)	225.01	226.10	151.13	202.09	265.19	230.02	154.59	163.41
Switzerland (49)	166.41	167.21	111.76	149.45	150.16	176.58	109.14	112.03
United Kingdom (215)	202.38	203.35	135.92	181.75	203.35	214.66	163.23	166.77
USA (518)	190.22	191.14	127.76	170.83	190.22	195.04	176.91	177.65
EUROPE (745)	170.80	171.63	114.71	153.39	165.21	178.56	136.35	138.54
Nordic (113)	215.85	216.89	144.97	193.85	222.54	220.60	145.86	151.44
Pacific Basin (722)	158.19	158.96	106.92	142.97	111.22	168.80	113.95	115.81
Euro-Pacific (1467)	163.87	164.66	110.06	147.17	132.07	170.78	123.36	124.99
North America (625)	186.74	187.64	125.42	167.71	186.10	192.73	173.70	173.93
Europe Ex. UK (530)	150.46	151.19	101.05	135.13	142.62	155.73	119.31	120.79
Pacific Ex. Japan (253)	263.96	265.26	177.29	237.06	243.14	296.21	164.34	166.67
World Ex. US (1652)	165.51	166.31	111.16	148.64	135.30	172.51	124.49	126.10
World Ex. UK (1955)	169.88	170.70	114.09	152.56	147.61	175.58	139.86	140.16
World Ex. So. Af. (2110)	172.30	173.13	115.72	154.74	151.69	178.56	142.16	142.41
World Ex. Japan (1701)	187.43	188.33	125.88	168.32	183.61	195.20	160.56	160.71
The World Index (2170)	172.72	173.55	116.00	155.12	152.49	178.87	142.23	142.49

Latest prices were unavailable for this edition.